

# **Key Investment Services LLC**

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May 2, 2017

## **Part 2A Appendix 1 of Form ADV**

### **NOTICES TO ADVISORY ACCOUNT CUSTOMER(S) (“CLIENT(S)”)**

You either signed or will sign the documents to establish a wrap account. This is an investment advisory account, with Key Investment Services LLC (“KIS”), by which you established a brokerage account at KIS that is carried by Pershing LLC (“Pershing”) which acts as clearing broker and custodian for the account. Pershing acts as a qualified custodian for all KIS advisory account assets. It holds and maintains all funds and securities in your advisory account. It will send you periodic statements showing your holdings and any activity in your account. Please read your statements carefully when you receive them.

You can contact Pershing at the following address:

Pershing LLC  
One Pershing Plaza  
Jersey City, New Jersey 07399

**This wrap fee program brochure provides information about the qualification and business practices of KIS. If you have any questions about the contents of this brochure, please contact us at 1-888-547-2968. 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 KIS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). KIS is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.**

Investment products are offered through KIS, member FINRA/SIPC and carried by Pershing LLC, member FINRA/NYSE/SIPC. Insurance products are offered through KeyCorp Insurance Agency USA Inc. (KIA). KIS and KIA are affiliated with KeyBank National Association (KeyBank). KIS, KIA and KeyBank are separate entities, and when you buy or sell securities and insurance products you are doing business with KIS and/or KIA, and not KeyBank.

Investment and insurance products made available through KIS and KIA are:

<b>NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY</b>
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## **Item 2: Summary of Material Changes**

The following material changes pertinent to the provision of Key Investment Services LLC's investment advisory services have occurred since the date of the previous annual update of its brochure on March 31, 2017.

KIS has updated its description of the **KIS Separately Managed Account Program (the "SMA Program")** discussed in Item 4(5) below by clarifying that Lockwood is a third-party service provider to the SMA Program and not an investment adviser or money manager to the Client. See Item 4(5) for further details.

KIS has updated its description of the **Calvert Responsible Model Portfolios ("Calvert Program")** discussed in Item 4(3)(d) below by clarifying that, due to certain corporate transactions whereby substantially all of the business assets of Calvert Investment Management, Inc. ("Calvert IM") have been acquired and are in the process of transfer to Calvert Research and Management ("Calvert"), a wholly owned subsidiary Eaton Vance Management, and is indirectly wholly-owned by Eaton Vance Corp., such that Calvert will be the model strategist for the Calvert Program.

KIS has updated its description of the **Efficient Market Advisors Program (the "EMA Program")** discussed in Item 4(b) below by clarifying that EMA receives a strategist fee of 30 bps of the assets in the EMA Program. The previous description omitted the strategist fee.

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#### **Item 4: Services, Fees and Compensation**

Key Investment Services LLC (“KIS”) as “Wrap Program Sponsor” either sponsors or offers as part of its wrap fee programs (“Wrap Programs”) access to certain investment advisory products (“Advisory Products”) listed in this brochure for its Clients. Advisory Products include investment advisory products proprietary to or administered by third-party service providers which, among other things, allows KIS Clients to access portfolio managers participating in such Advisory Product platforms for purposes of managing trading activity in a Client’s wrap fee account. KIS has established an Investment Advisory Sub-Committee to its Product Due Diligence Committee to perform due diligence and monitoring of existing and potentially new third-party service providers. KIS may refine its Advisory Product offerings and introduce new products as part of its continuous efforts to meet the investment needs of its Clients, respond to changing markets and take advantage of recent technological or other innovations. In addition, from time to time acquisitions or new business relationships may contribute new product offerings.

Current Advisory Products offered by KIS through its Wrap Programs include:

**(1) Lockwood Investment Strategies (“LIS”) –** Lockwood Advisors, Inc. (“Lockwood”) is a federally registered investment advisory firm that specializes in processing and administering individually managed accounts and in providing managed account services and technologies to, among others, sponsors of wrap account programs. Lockwood is the Money Manager in LIS, and acts as a third-party service provider to KIS. LIS is offered through a program sponsored by KIS. LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models in which a Client may invest depending on how the Client scores on a risk profile questionnaire. The five (5) core models span the risk/return spectrum from current income model to growth model within the context of a diversified portfolio. Clients may also choose from four (4) additional models which include exposure to non-traditional asset classes, as described more fully in Lockwood’s Form ADV Part 2A. Lockwood, serving as a discretionary portfolio manager, determines asset allocation and selects both Investment Managers and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline. KIS does not exercise investment discretion in the selection of the asset allocation or the specific sub-managers and underlying investment vehicles and strategies used in a Client’s account. KIS Financial Advisors (“FAs”), utilizing Lockwood tools, provide Clients with non-binding recommendations regarding such asset allocation and underlying investment vehicles and strategies to meet Clients’ investment objectives, but Clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Lockwood has full discretionary authority to invest, reinvest and otherwise deal with assets in LIS Client accounts in its discretion within the model selected by the Client. Lockwood may, when it deems appropriate and without prior consultation with Clients or KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace Investment Managers and underlying investment vehicles if, for example, Lockwood deems such Investment Manager or investment vehicle to be underperforming. Lockwood also provides overlay management services for the Client’s LIS account and implements trade orders based on the directions of the investment strategies contained in LIS portfolios.

KIS’s current program fee schedule for LIS is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>	
	<u>≥50% Equities</u>	<u>≥50% Fixed Income</u>
\$250,000 – \$500,000	3.00%	2.50%
\$500,001 – \$1,000,000	2.50%	2.00%
\$1,000,001- \$2,500,000	2.00%	1.50%
\$2,500,001 – over	1.50%	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$250,000 - \$500,000	0.75%
\$500,001 - \$1,000,000	0.55%
\$1,000,001 - \$5,000,000	0.40%
\$5,000,001 - \$10,000,000	0.35%
\$10,000,001 – over	0.30%

Fees for LIS are negotiable in KIS's sole and absolute discretion. Fees for LIS do not cover all costs or charges arising from these accounts. For example, these program fees do not cover: (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a LIS Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fee covers.

**(2) Lockwood AdvisorFlex Portfolios ("AFP")** – Lockwood is the Money Manager in AFP and acts as a third-party service provider to KIS. AFP is offered through a program sponsored by KIS. AFP is a series of model portfolios diversified at the asset class level and among different security types in which a Client may invest depending on how the Client scores on a risk profile questionnaire. Clients may choose from sixteen (16) models spanning the risk/return spectrum from income to capital appreciation. Lockwood reviews and approves the allocations and investment selections to be included in the AFP portfolios. In addition, Lockwood periodically reviews the asset allocation strategies and investment selections with the AFP model portfolios seeking to ensure that the portfolios continue to adhere to their respective original investment objectives. KIS does not exercise investment discretion in the selection of the asset allocation or the universe of specific underlying investment vehicles and strategies used in a Client's account. Within each AFP model, Lockwood identifies several investment vehicle options from which Clients may choose. KIS FAs, utilizing Lockwood tools, provide Clients with non-binding recommendations on a non-discretionary basis regarding such asset allocation and underlying investment vehicles and strategies to meet Clients' investment objectives, but Clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Lockwood has discretionary authority to invest, reinvest and otherwise deal with assets in AFP Client accounts in its discretion within the model selected by the Client, subject to the Client's decision to select alternate investment vehicle selections. Lockwood may, when it deems appropriate and without prior consultation with Clients or

KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace underlying mutual funds and ETFs in a model if, for example, Lockwood deems such mutual fund or ETF to be underperforming.

KIS's current program fee schedule for AFP is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
\$1,000,001 – over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$25,000 - \$500,000	0.37%
\$500,001 - \$1,000,000	0.33%
\$1,000,001 – over	0.24%

Fees for AFP are negotiable in KIS's sole and absolute discretion. Fees for AFP do not cover all costs or charges arising from these accounts. For example, these program fees do not cover: (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depository Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in an AFP Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood may receive and details regarding what this portion of the fee covers.

**(3) Model Strategies Programs (“Model Strategies”).** KIS offers seven Model Strategies Programs where Lockwood serves as the discretionary money manager. Each program has a third-party model strategist which advises Lockwood on the structure of rebalancing of the changes to the models. The programs are as follows:

**(a) Russell Model Strategies Program (“Russell Program”)** KIS offers the Russell Program on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the Russell Program.

With respect to the Russell Program, Russell Investment Management Company (“RIMCo”) is a SEC-registered investment adviser that advises the Russell Investment Company family of mutual funds (“Russell Funds”). The Russell Program is based on strategic asset allocation models (“Russell Models”) developed by RIMCo as a third party model strategist, and are comprised of Russell Funds or exchange traded funds selected by RIMCo for a particular Russell Model. RIMCo makes the Russell Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Russell Program accounts and implements trade orders based on asset allocation changes communicated to it by RIMCo.

The Russell Program provides five (5) core Russell Models and five (5) tax-managed Russell Models which span the risk/return spectrum from a current income Russell Model to a growth Russell Model within the overall context of a diversified portfolio. The Russell Models vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as defensive, dynamic, growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives.

Clients may invest in these Russell Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which Russell Model best suits the Client’s risk tolerance. Clients select a Russell Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, Russell Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Russell Model recommended to the Client and details the underlying Russell Fund or exchange traded fund investments, as well as the overall asset and style allocation of the Russell Model. The Client is ultimately responsible for the selection of the appropriate asset allocation Russell Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the Russell Model or the specific underlying investment vehicles and strategies comprising the Russell Model.

RIMCo does not exercise investment discretion with respect to the management of individual Client accounts. Rather, RIMCo constructs the Russell Models, determines the specific Russell Funds or exchange traded funds that comprise the Russell Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the Russell Models’ asset allocations and/or underlying Russell Funds or exchanges funds.

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Russell Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by RIMCo to Lockwood. Other services offered in connection with the Russell Program include, but are not limited to: periodic rebalancing of the Client's portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS’s current program fee for the Russell Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$10,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$10,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the Russell Program are negotiable in KIS's sole and absolute discretion. Fees for Russell Program accounts do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a Russell Program Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: RIMCo does not receive any part of the Program fee. RIMCo does separately receive compensation in the form of advisory fees paid to it by the Russell Funds which comprise the particular Russell Model portfolios in which Clients may be invested, in connection with RIMCo's management of the Russell Funds. Such compensation is based on a percentage of the assets under RIMCo's management with respect to such Russell Funds, which will include Client account assets invested in such Russell Funds. For further information regarding compensation RIMCo may receive from Russell Funds comprising a particular Russell Model selected by a Client, please see the prospectuses for those Russell Funds.

**(b) Vanguard Strategic Model Portfolios ("Vanguard Program").** KIS offers the Vanguard Program through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the Vanguard Program.

With respect to the Vanguard Program, Vanguard Advisers, Inc. ("VAI") is a SEC registered investment adviser that produces model portfolios comprised of Vanguard mutual funds or Vanguard exchange traded funds ("Vanguard Funds"). The Vanguard Program is based on strategic asset allocation models



(“Vanguard Models”) developed by VAI as a third party model strategist, and are comprised of Vanguard Funds selected by VAI for a particular Vanguard Model. VAI makes the Vanguard Models available to the money manager for money manager’s use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Vanguard Program accounts and implements trade orders based on asset allocation changes communicated to money manager by VAI.

Currently, KIS offers the Vanguard ETF Strategic Model Portfolio Center for Research in Security Prices (CRSP) Series which provides eleven (11) Vanguard Models holding six to ten (6-10) Vanguard Funds per model. These Vanguard Models include equity and investment-grade fixed income exposure and indexed investments. They are tax efficient and span the risk return spectrum from a current income Vanguard Model to growth Vanguard Model within the overall context of a diversified portfolio.

Clients may invest in these Vanguard Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which Vanguard Model best suits the Client’s risk tolerance. Clients select a Vanguard Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, Vanguard Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Vanguard Model recommended to the Client and details the underlying Vanguard Fund investments, as well as the overall asset and style allocation of the Vanguard Model. The Client is ultimately responsible for the selection of the appropriate asset allocation Vanguard Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the Vanguard Model or the specific underlying investment vehicles and strategies comprising the Vanguard Model.

VAI does not exercise investment discretion with respect to the management of individual Client accounts. Rather, VAI constructs the Vanguard Models, determines the specific Vanguard Funds that comprise the Vanguard Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the Vanguard Models’ asset allocations.

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Vanguard Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by VAI to Lockwood. Other services offered in connection with the Vanguard Program include, but are not limited to: periodic rebalancing of the Client's portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS’s current program fee for the Vanguard Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$10,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$10,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the Vanguard Program are negotiable in KIS's sole and absolute discretion. Fees for the Vanguard Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than the Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a Vanguard Program Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: VAI does not receive any part of the Vanguard Program fee. VAI does separately receive compensation in the form of advisory fees or issuer fees paid to it by the Vanguard Funds which comprise the particular Vanguard Model portfolios in which Clients may be invested in connection with their management or issuance of the Vanguard Fund. Such compensation is based on a percentage of the assets invested in such exchange traded funds. For further information regarding compensation VAI may receive from exchange traded funds comprising a particular Vanguard Model selected by a Client, please see the prospectuses for those Vanguard mutual funds or exchange traded funds.

**(c) BlackRock Target Income Portfolios ("BlackRock Program I")** KIS offers the BlackRock Program I on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the BlackRock Program I.

With respect to the BlackRock Program I, BlackRock Investment Management, LLC ("BIM") is a SEC-registered investment adviser that advises the BlackRock family of mutual funds and iShares exchange traded funds (collectively or individually "BlackRock Funds"). The BlackRock Program I is based on

strategic asset allocation models (“BlackRock Program I Models”) developed by BIM as a third party model strategist, and are comprised of BlackRock Funds selected by BIM for a particular BlackRock Program I Model. BIM makes the BlackRock Program I Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ BlackRock Program I accounts and implements trade orders based on asset allocation changes communicated to money manager by BIM.

Currently KIS offers the BlackRock Program I which provides four (4) BlackRock Program I Models which span the risk/return spectrum for fixed income BlackRock Program I Models within the overall context of a diversified portfolio.

Clients may invest in these BlackRock Program I Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which BlackRock Program I Model best suits the Client’s risk tolerance. Clients select a BlackRock Program I Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, BlackRock Program I Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio BlackRock Program I Model recommended to the Client and details the underlying BlackRock Fund investments, as well as the overall asset and style allocation of the BlackRock Program I Model. The Client is ultimately responsible for the selection of the appropriate asset allocation BlackRock Program I Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the BlackRock Program I Model or the specific underlying investment vehicles and strategies comprising the BlackRock Program I Model.

BIM does not exercise investment discretion with respect to the management of individual Client accounts. Rather, BIM constructs the BlackRock Program I Models, determines the specific BlackRock Fund(s) that comprise the BlackRock Program I Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the BlackRock Program I Models’ asset allocations and/or underlying BlackRock Fund(s).

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by BIM to Lockwood. Other services offered in connection with the BlackRock Program I include, but are not limited to: periodic rebalancing of the Client’s portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS’s current program fee for the BlackRock Program I is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$25,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the BlackRock Program I are negotiable in KIS's sole and absolute discretion. Fees for the BlackRock Program I do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a BlackRock Program I Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: BIM receives a strategist fee of 0.10% of the assets in the BlackRock Program. In addition, BIM receives indirectly compensation in the form of advisory fees or issuer fees paid to it or an affiliate by the BlackRock Funds which comprise the particular BlackRock Program I Model portfolios in which Clients may be invested, in connection with their management or issuance of the BlackRock Funds. Such compensation is based on a percentage of the assets under their management with respect to such BlackRock Funds, which will include Client account assets invested in such BlackRock Funds. For further information regarding compensation BIM may receive from BlackRock Funds comprising a particular BlackRock Program I Model selected by a Client, please see the prospectuses for those BlackRock Funds.

**(d) Calvert Responsible Model Portfolios ("Calvert Program")** KIS offers the Calvert Program on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the Calvert Program.

With respect to the Calvert Program, Calvert Research and Management ("Calvert") is a SEC-registered investment adviser that advises the Calvert family of mutual funds and offers actively managed (i.e., indexing), and model-only investment advisory services that include a variety of socially responsible

equity, fixed-income, and multi-asset strategies. The Calvert Program is based on strategic asset allocation models (“Calvert Models”) developed by Calvert as a third party model strategist, and are comprised of Calvert Funds selected by Calvert for a particular Calvert Model. Calvert makes the Calvert Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Calvert Program accounts and implements trade orders based on asset allocation changes communicated to money manager by Calvert.

Currently KIS offers three (3) Calvert Models which span the risk/return spectrum for Calvert Models within the overall context of a diversified portfolio. Currently KIS offers three (3) Calvert Models which span the risk/return spectrum for Calvert Models within the overall context of a diversified portfolio. Calvert Models include responsible investment analysis, which integrates Calvert’s responsible investment research. Calvert also manages a specialized Client mandate that includes “Terror-Free” criteria. Please read carefully Calvert’s Form ADV Part 2A which more fully describes the responsible investment analysis and “Terror-Free” criteria.

Clients may invest in these Calvert Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which Calvert Model best suits the Client’s risk tolerance. Clients select a Calvert Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, Calvert Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Calvert Model recommended to the Client and details the underlying Calvert Fund investments, as well as the overall asset and style allocation of the Calvert Model. The Client is ultimately responsible for the selection of the appropriate asset allocation Calvert Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the Calvert Model or the specific underlying investment vehicles and strategies comprising the Calvert Model.

Calvert does not exercise investment discretion with respect to the management of individual Client accounts. Rather, Calvert constructs the Calvert Models, determines the specific investments that comprise the Calvert Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the Calvert Models’ asset allocations and/or underlying Calvert Fund(s).

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by Calvert to Lockwood. Other services offered in connection with the Calvert Program include, but are not limited to: periodic rebalancing of the Client's portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS’s current program fee for the Calvert Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$25,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the Calvert Program are negotiable in KIS's sole and absolute discretion. Fees for the Calvert Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depository Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a Calvert Program Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: Calvert does not receive any part of the Calvert Program fee. Calvert does separately receive compensation in the form of advisory fees or issuer fees paid to it by the Calvert Funds which comprise the particular Calvert Model portfolios in which Clients may be invested in connection with their management or issuance of the Calvert Fund. Such compensation is based on a percentage of the assets invested in such funds. For further information regarding compensation Calvert may receive from exchange traded funds comprising a particular Calvert Model selected by a Client, please see the prospectuses for those Calvert mutual funds or exchange traded funds.

Note: On December 30, 2016, substantially all of the business assets of Calvert Investment Management, Inc. ("Calvert IM") were sold to Calvert (the "Transaction"), a newly-formed subsidiary of Eaton Vance Management ("Eaton Vance"), in accordance with the terms of an Asset Purchase Agreement dated as of October 20, 2016 and amended as of December 24, 2016, among Calvert IM, Calvert IM's indirect parent company, Ameritas Holding Company ("AHC"), Eaton Vance, Calvert and certain other parties (the "Asset Purchase Agreement"). Eaton Vance is a subsidiary of Eaton Vance Corp., which is a publicly-held, Boston-based investment management firm with offices in North America, Europe, Asia and Australia. As a result of the Transaction, Calvert now serves as the investment advisor for any registered investment company and is the model strategist for the Calvert Program. Please read carefully Calvert's ADV Part 2A.

**(e) BlackRock Long-Horizon ETF Portfolio Strategies (“BlackRock Program II”)** KIS now offers in addition to the BlackRock Program I, which is described in Section 4(c) above, the BlackRock Program II which provides five (5) BlackRock Program II Models which span the risk/return spectrum for BlackRock Program II Models within the overall context of a diversified portfolio. KIS offers the BlackRock Program II on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the BlackRock Program II.

With respect to the BlackRock Program II, BlackRock Investment Management, Inc. (“BIM”) is a SEC-registered investment adviser that advises the BlackRock family of mutual funds and iShares exchange traded funds (collectively or individually “BlackRock Funds”). The BlackRock Program II is based on strategic asset allocation models (“BlackRock Program II Models”) developed by BIM as a third party model strategist, and are comprised of BlackRock Funds selected by BIM for a particular BlackRock Program II Model. BIM makes the BlackRock Program II Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ BlackRock Program II accounts and implements trade orders based on asset allocation changes communicated to money manager by BIM.

Clients may invest in these BlackRock Program II Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which BlackRock Program II Model best suits the Client’s risk tolerance. Clients select a BlackRock Program II Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, BlackRock Program II Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio BlackRock Program II Model recommended to the Client and details the underlying BlackRock Fund investments, as well as the overall asset and style allocation of the BlackRock Program II Model. The Client is ultimately responsible for the selection of the appropriate asset allocation BlackRock Program II Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the BlackRock Program II Model or the specific underlying investment vehicles and strategies comprising the BlackRock Program II Model.

BIM does not exercise investment discretion with respect to the management of individual Client accounts. Rather, BIM constructs the BlackRock Program II Models, determines the specific BlackRock Fund(s) that comprise the BlackRock Program II Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the BlackRock Program II Models’ asset allocations and/or underlying BlackRock Fund(s).

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by BIM to Lockwood. Other services offered in connection with the BlackRock Program II include, but are not limited to: periodic rebalancing of the Client’s portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS's current program fee for the BlackRock Program II is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$10,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$10,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the BlackRock Program II are negotiable in KIS's sole and absolute discretion. Fees for the BlackRock Program II do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a BlackRock Program II Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: BIM does not receive any part of the BlackRock Program II fee. BIM does separately receive compensation in the form of advisory fees or issuer fees paid to it by the BlackRock Funds which comprise the particular BlackRock Program II Model portfolios in which Clients may be invested in connection with their management or issuance of the BlackRock Fund. Such compensation is based on a percentage of the assets invested in such exchange traded funds. For further information regarding compensation BIM may receive from exchange traded funds comprising a particular BlackRock Program II Model selected by a Client, please see the prospectuses for those BlackRock mutual funds or exchange traded funds.



**(f) AlphaSimplex Risk-Efficient Portfolios (“AlphaSimplex Program”)** KIS offers the AlphaSimplex Program on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the AlphaSimplex Program.

With respect to the AlphaSimplex Program, AlphaSimplex Group, LLC (“ASG”) is a SEC-registered investment adviser that provides non-discretionary investment subadvisory services to other investment advisers solely for the purpose of providing asset allocation models and advises the affiliated Natixis family of mutual funds (“Natixis Funds”). The AlphaSimplex Program is based on strategic asset allocation models (“AlphaSimplex Models”) developed by ASG as a third party model strategist, and are comprised of mutual funds which may include Natixis Funds selected by ASG for a particular AlphaSimplex Model. ASG makes the AlphaSimplex Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ AlphaSimplex Program accounts and implements trade orders based on asset allocation changes communicated to money manager by ASG.

Currently KIS offers the AlphaSimplex Program which provides three (3) AlphaSimplex Models which span the risk/return spectrum for AlphaSimplex Models within the overall context of a diversified portfolio.

Clients may invest in these AlphaSimplex Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which AlphaSimplex Model best suits the Client’s risk tolerance. Clients select an AlphaSimplex Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, AlphaSimplex Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio AlphaSimplex Model recommended to the Client and details the underlying Natixis Fund investments, as well as the overall asset and style allocation of the AlphaSimplex Model. The Client is ultimately responsible for the selection of the appropriate asset allocation AlphaSimplex Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the AlphaSimplex Model or the specific underlying investment vehicles and strategies comprising the AlphaSimplex Model.

ASG does not exercise investment discretion with respect to the management of individual Client accounts. Rather, ASG constructs the AlphaSimplex Models, determines the specific investments and Natixis Funds that comprise the AlphaSimplex Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the Alpha-Simplex Models’ asset allocations and/or underlying holdings.

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Models, and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by ASG to Lockwood. Other services offered in connection with the AlphaSimplex Program include, but are not limited to: periodic rebalancing of the Client's portfolio by money manager to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS's current program fee for the AlphaSimplex Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$25,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the AlphaSimplex Program are negotiable in KIS's sole and absolute discretion. Fees for the AlphaSimplex Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in an AlphaSimplex Program Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: ASG receives a strategist fee of 0.10% of the assets in the AlphaSimplex Program. In addition, ASG receives indirectly compensation in the form of advisory fees or issuer fees paid to it or an affiliate by the Natixis Funds which may comprise the particular AlphaSimplex Model portfolios in which Clients may be invested, in connection with their management or issuance of the Natixis Funds. Such compensation is based on a percentage of the assets under their management with respect to such Natixis Funds, which will include Client account assets invested in such Natixis Funds. For further information regarding compensation ASG may receive from Natixis Funds comprising a particular AlphaSimplex Model selected by a Client, please see the prospectuses for those Natixis Funds.

**(g) Loring Ward DFA Global Portfolio Series (“Loring Ward Program”)** KIS offers the Loring Ward Program on a nondiscretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the discretionary money manager for the Loring Ward Program.

With respect to the Loring Ward Program, LWI Financial, Inc. (“LWI”) is a SEC-registered investment adviser that advises the Dimensional Fund Advisors (“DFA”) family of mutual funds. The Loring Ward Program is based on strategic asset allocation models (“Loring Ward Models”) developed by LWI as a third party model strategist, and are comprised of DFA Funds selected by LWI for a particular Loring Ward Model, for which Dimensional Fund Advisors LP, an unaffiliated SEC registered investment advisor, sub-advises the DFA Funds comprising the Loring Ward Program. LWI makes the Loring Ward Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Loring Ward Program accounts and implements trade orders based on asset allocation changes communicated to money manager by LWI.

Currently KIS offers the Loring Ward Program which provides seven (7) Loring Ward Models which span the risk/return spectrum for Loring Ward Models within the overall context of a diversified portfolio.

Clients may invest in these Loring Ward Models depending on their risk profile which is obtained when the Client completes the money manager provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the Client on a non-discretionary basis which Loring Ward Model best suits the Client’s risk tolerance. Clients select a Loring Ward Model that is appropriate for the investment circumstances Clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, Loring Ward Model, and profile changes will be made in their accounts. The FA may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Loring Ward Model recommended to the Client and details the underlying DFA Fund investments, as well as the overall asset and style allocation of the Loring Ward Model. The Client is ultimately responsible for the selection of the appropriate asset allocation Loring Ward Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the Loring Ward Model or the specific underlying investment vehicles and strategies comprising the Loring Ward Model.

LWI does not exercise investment discretion with respect to the management of individual Client accounts. Rather, LWI constructs the Loring Ward Models, determines the specific DFA Fund(s) that comprise the Loring Ward Models, and from time-to-time, and without notice or approval from Clients or KIS, advises Lockwood regarding adjustments to the Loring Ward Models’ asset allocations and/or underlying DFA Fund(s).

KIS’ current program fee for the Loring Ward Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Lockwood as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$25,000 - \$49,999	\$100
\$50,000 - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Fees for the Loring Ward Program are negotiable in KIS's sole and absolute discretion. Fees for the Loring Ward Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depositary Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a LW Program Client account to pay fees, costs or other charges, Lockwood may sell account assets to pay them. Clients should carefully review Lockwood's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges. Please also read carefully Lockwood's Form ADV Part 2A to learn what portion of the fees Lockwood and the sub-managers may receive and details regarding what this portion of the fees covers.

Note: LWI receives a strategist fee of 0.25% of the assets in the Loring Ward Program. In addition, LWI receives indirectly compensation in the form of advisory fees or issuer fees paid to it or an affiliate by the DFA Funds which comprise the particular Loring Ward Model portfolios in which Clients may be invested, in connection with their management or issuance of the DFA Funds. Such compensation is based on a percentage of the assets under their management with respect to such DFA Funds, which will include Client account assets invested in such DFA Funds. For further information regarding compensation LWI may receive from DFA Funds comprising a particular Loring Ward Model selected by a Client, please see the prospectuses for those DFA Funds.

**(4) Envestnet Asset Management, Inc. Programs ("Envestnet")** – Envestnet is a SEC-registered investment advisory firm that provides an extensive range of investment advisory services for advisors such as KIS and their clients, including the Key Managed Account and the Efficient Market Advisors Program.

**(a) Key Managed Account (“KMA”).** In the KMA program, Envestnet designs model mutual fund/ETF portfolios in which a client may invest depending on how the client scores on a risk profile questionnaire. The fourteen (14) currently available models span the risk/return spectrum from a current income model to a growth model within the overall context of a diversified portfolio. KIS does not exercise investment discretion in the selection of the asset allocation or the specific underlying investment vehicles and strategies used in a client’s account. KIS FAs, utilizing Envestnet tools, provide clients with non-binding recommendations regarding such asset allocation and underlying investment vehicles and strategies to meet clients’ investment objectives, but clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Envestnet has full discretionary authority to invest, reinvest and otherwise deal with assets in KMA client accounts in its discretion within the model selected by the client. Envestnet may, when it deems appropriate and without prior consultation with clients or KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace underlying mutual funds and ETFs in a model if, for example, Envestnet deems such mutual fund or ETF to be underperforming. Envestnet also provides overlay management services for the client’s KMA account and implements trade orders based on the directions of the investment strategies contained in KMA portfolios.

KIS’s current program fee schedule for KMA is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Envestnet as follows:

<u>Portfolio Value</u>	<u>Fee</u>
\$0 - \$250,000	0.35%
\$250,001 - \$500,000	0.33%
\$500,000 – over	0.30%

Fees for KMA are negotiable in KIS’s sole and absolute discretion. Fees for KMA do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) certain charges associated with securities transactions in clients’ accounts such as dealer markups, markdowns or spreads charged on transactions in over-the-counter securities, costs relating to trading in certain foreign currencies, internal charges and fees that may be imposed by any collective investment vehicle such as a mutual fund or ETF, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (ii) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by clients, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (iii) possible mutual fund redemption fees. If there is insufficient cash in a KMA client account to pay fees, costs or other charges, Envestnet may sell account assets to pay them. Clients should carefully review Envestnet’s Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges.

**(b) Efficient Market Advisors Model Strategies Program (“EMA Program”).** KIS offers the EMA Program on a nondiscretionary basis to its clients through its relationship with Envestnet. Envestnet serves as overlay manager for the EMA Program.

With respect to the EMA Program, Efficient Market Advisors, a sub-division of Cantor Fitzgerald Investment Advisors, LP (“EMA”) is an SEC-registered investment adviser that utilizes third party advisers such as Envestnet in which EMA provides the third party adviser with model portfolios in certain investment styles. The EMA Program is based on strategic asset allocation models (“EMA Model(s)”) developed by EMA as a third party model strategist, and are comprised of Exchange Traded Funds (“ETFs”) selected by EMA for a particular EMA Model. EMA makes the EMA Models available to Envestnet for Envestnet’s use in managing individual client accounts. Envestnet provides overlay management for clients’ EMA Program accounts and implements trade orders based on asset allocation changes communicated to Envestnet by EMA.

The EMA Program provides fifteen (15) core EMA Models which span the risk/return spectrum from a current income EMA Model to a growth EMA Model within the overall context of a diversified portfolio. The EMA Models vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as defensive, dynamic, growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives.

Clients may invest in these EMA Models depending on their risk profile which is obtained when the client completes the Envestnet-provided risk profile questionnaire. The output from the questionnaire is a risk score, which assists the KIS FA in advising the client on a non-discretionary basis which EMA Model best suits the client’s risk tolerance. Clients select an EMA Model that is appropriate for the investment circumstances clients set forth in the risk profile questionnaire. Clients make the final determination as to which overall investment strategy, EMA Model, and profile changes will be made in their accounts. The FA may provide the client with an investment proposal or strategy sheet that identifies the specific portfolio EMA Model recommended to the client and details the underlying investments, as well as the overall asset and style allocation of the EMA Model. The client is ultimately responsible for the selection of the appropriate asset allocation EMA Model.

Neither KIS nor Envestnet exercise investment discretion in the selection of the EMA Model or the specific underlying investment vehicles and strategies comprising the EMA Model.

EMA does not exercise investment discretion with respect to the management of individual client accounts. Rather, EMA constructs the EMA Models, determines the specific ETFs that comprise the EMA Models, and from time-to-time, and without notice or approval from clients or KIS, advises Envestnet regarding adjustments to the EMA Models’ asset allocations and/or underlying investments.

Envestnet retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the EMA Models, and may implement asset allocation changes differently with respect to individual client accounts than the asset allocation changes advised by EMA to Envestnet. Other services offered in connection with the EMA Program include, but are not limited to: periodic rebalancing of the client's portfolio by Envestnet to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Envestnet.

KIS’s current program fee for EMA Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$25,000 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - over	1.00%

As part of the program fee, KIS will pay from its portion of the program fee to Envestnet a Model Provider Fee (for access to the Model selected by client) as follows:

<u>Portfolio Value</u>	<u>Model Provider Fee</u>
Up to - \$250,000	0.20%
\$250,001 - \$500,000	0.19%
\$500,001 - \$1,000,000	0.17%
\$1,000,001 - \$2,000,000	0.15%
\$2,000,001 – over	0.13%

Note: EMA receives a strategist fee of 0.30% of the assets in the EMA Program. Please see EMA's and Envestnet's respective Form ADV Part 2A for further information.

Fees for the EMA Program are negotiable in KIS's sole and absolute discretion. Fees for the EMA Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover (i) certain charges associated with securities transactions in clients' accounts such as dealer markups, markdowns or spreads charged on transactions in over-the-counter securities, costs relating to trading in certain foreign currencies, internal charges and fees that may be imposed by any collective investment vehicle such as a mutual fund or ETF, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (ii) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACATS transfers, electronic and wire transfer charges, optional services elected by clients, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (iii) possible mutual fund redemption fees. If there is insufficient cash in an EMA Program client account to pay fees, costs or other charges, Envestnet may sell account assets to pay them. Clients should carefully review Envestnet's Form ADV Part 2A and their investment management account investment selection forms and terms and conditions for further information on such costs or charges.

Note: Cantor Fitzgerald Investment Advisors, L.P. ("CFIA") acquired the asset management business of EMA on March 27, 2017. All assets and clients of EMA have or will become a build-out of CFIA's current asset management business. CFIA has been engaged as a sub-advisor to EMA during the transition process of EMA's remaining clients and assets to CFIA. Please read carefully EMA's ADV Part 2A and CFIA's ADV Part 2A for further information.

**5) Separately Managed Account Program ("SMA Program")** - The KIS SMA Program is a separately managed account program. KIS offers the SMA Program on a non-discretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the third-party service provider to KIS for the SMA Program. The SMA Program is designed to offer Clients third party investment manager ("Investment Manager") selection, consulting, brokerage, portfolio supervision and consolidated reporting in return for a "wrap" fee. Clients may invest in the SMA Program depending on their risk profile, which is obtained when the Client completes a risk profile questionnaire. The output from the questionnaire is a risk score, which assists the FA in advising the Client on a non-discretionary basis in the selection of an Investment Manager(s) to manage discretionary trading in their account consistent with the Client's investment objectives. Each Client selects an Investment Manager(s) that the Client determines is/are appropriate as to the investment circumstances set forth by the Client in the risk profile questionnaire. The Client makes the final determination as to the overall investment strategy, Investment Manager(s), and profile changes which will be applicable to their account(s).

Lockwood, as a third party service provider to KIS, evaluates Investment Managers and provides a list of prequalified Investment Managers for participation in the KIS SMA Program as determined by KIS, from which Clients may choose for their SMA Program account. In providing its proprietary research coverage

of investment managers (“Covered Managers”) to KIS, Lockwood may work with the Manager Research Group of its affiliate, BNY Mellon, to review and research Investment Managers. Lockwood conducts an initial review of all Investment Managers available in the SMA Program, and Lockwood regularly monitors the participating Investment Managers for continued qualifications and performance. Lockwood makes available its reviews and research to KIS through Manager Research Scorecard summaries, which are also reviewed by KIS’s Product Due Diligence Committee on a periodic basis. Lockwood retains authority regarding the inclusion or removal of Covered Managers and investment vehicles approved to participate on the SMA Program platform, from which Clients may select an Investment Manager for their accounts. However, Lockwood as such third-party service provider to KIS does not provide investment advice to Clients. Rather, Lockwood is providing its proprietary research to KIS for KIS’s use in determining which Investment Managers are to be included in the KIS SMA Program, and Lockwood does not serve as an investment adviser or discretionary money manager to those Clients who invest in the SMA Program.

KIS will work with the Client to review the Client’s financial situation and investment profile to make a non-discretionary recommendation to assist the Client in determining if the Investment Manager(s) under consideration is/are consistent with the Client’s investment objectives. The Investment Manager(s) selected by the Client will provide discretionary investment advisory services and is/are responsible for all investment decisions in the Client’s account(s). The Investment Manager will employ various investment strategies as described in the Investment Manager’s Form ADV Part 2A Brochure, and any other material the Investment Manager may provide to the Client. Each Investment Manager employs its own strategy and timeframe for investing funds. Clients and FAs should consult each Investment Manager’s Form ADV Part 2A Brochure to determine the Investment Manager’s specific background, strategy, and procedures. KIS, through Lockwood, will provide quarterly performance analysis and reporting. The minimum account size for the SMA Program is generally \$100,000, but varies by Investment Manager. KIS’s current fee schedule for SMA Program accounts is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>	
	<u>Equities/Balanced</u>	<u>Fixed Income</u>
First \$500,000	3.00%	2.00%
Next \$500,000	2.50%	1.75%
Next \$1,500,000	2.00%	1.50%
Remainder	1.50%	1.50%

From the program fee, KIS will also pay or cause to be paid the Investment Manager’s fee, which will vary, as well as charges assessed by various providers of services, such as by Clearing Broker, to Client’s account. Please read carefully the Investment Manager’s Form ADV Part 2A for further information. Please also read your KIS Standard Advisory Contract and Client Agreement for further information with respect to Fees and Other Costs or Charges.

Note: KIS will also pay or cause to be paid to Lockwood, as a third party service provider to KIS, a third party service provider fee of 0.20% of the assets in the KIS SMA Program.

Note: Each Investment Manager in the SMA Program may, and generally will as they deem appropriate in their discretion, place trades through brokers other than Pershing. As disclosed below, commissions, mark-ups or mark-downs, or similar costs and charges associated with the execution of such trades will be deducted from a Client’s allocable assets and may reduce the Client’s overall return. All Investment Managers are required to have best execution policies and procedures, and KIS will review the respective Investment Manager’s best execution practices. Please read carefully the Investment Manager’s Form ADV Part 2A brochure concerning its best execution policies and practices.



Fees for the SMA Program are negotiable in KIS's sole and absolute discretion. Fees for the SMA Program do not cover all costs or charges arising from these accounts. For example, these program fees do not cover: (i) dealer markups or markdowns; (ii) costs associated with the purchase and sale of mutual funds; (iii) charges imposed by law; (iv) costs relating to trading in foreign securities; (v) internal charges and fees that may be imposed by any collective investment vehicles such as open-end funds, closed-end funds, index shares, UITs, ETFs, or real estate investment trusts; (vi) other specialized charges such as transfer taxes, exchange and SEC transaction fees; and (vii) any brokerage commissions or other charges imposed by broker dealers or entities other than Pershing and certain liquidation fees; (viii) certain hard dollar fees associated with foreign exchange, taxes and other related fees in connection with American Depository Receipts; (ix) certain charges associated with securities transactions in Client's account such as spreads charged on transactions in over-the-counter securities, contingent deferred sales charges that may be imposed upon the liquidation of in-kind assets transferred into the program; (x) certain custodial charges that may be charged by a custodian such as a minimum account fee or charges for ACAT transfers, electronic and wire transfer charges, optional services elected by Client, transaction-based ticket charges that may be assessed by custodian for the purchase of certain mutual funds, and certain non-brokerage related charges such as IRA trustee fees or IRA termination fees; and (xi) possible mutual fund redemption fees. Please see the prospectus or other disclosure document for the specific collective investment vehicle for detailed information regarding such fees. If there is insufficient cash in a SMA Program Client account to pay fees, costs or other charges, the Investment Manager may sell account assets to pay them. Clients should also carefully review Lockwood's Form ADV Part 2A for further information.

### **KIS Program Services**

For potential Wrap Program Clients, KIS assists Clients in the formulation of their investment objectives, and advises Clients regarding the suitability of KIS's Wrap Programs for their investment needs, whether a managed account is a suitable investment vehicle for the Client, and whether particular portfolio management options are suitable for the Client in light of the Client's risk tolerance and investment objectives.

For all Advisory Products, KIS through a KIS FA will consult with the Client and complete, with the Client's assistance, a Client profile and investment information document to determine the Client's financial circumstances, investment objectives and reasonable restrictions on management of the wrap account, if any. Based upon the consultation and information provided, KIS will assist the Client in selecting investment options from investment programs. Clients open wrap accounts with KIS and retain KIS to assist the Client in allocating the Client's assets and in monitoring and/or selecting one or more investment options and to provide trade execution, reporting and custodial services for the account. For additional information regarding Review of Accounts, please see Item 9(4).

For all Advisory Products currently offered, KIS introduces the account to Pershing LLC ("Pershing"), which will act as custodian for the account. Services offered by Pershing as custodian of the account will include all custodial functions customarily performed with respect to such accounts including, but not limited to: back office support, execution of securities transactions (when appropriate), crediting of interest and dividends and periodic reporting, which reports Pershing will send directly to the Client.

A Client who participates in a wrap fee arrangement should consider that, depending on the level of the wrap fee charged, the amount of portfolio activity in the Client's account, the value of the custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be purchased separately. Because the wrap fee may be greater than would have been the case if the Client paid separately for investment advice and brokerage and other services or participated in another program, FAs may have an incentive to

recommend the wrap fee programs over alternative programs or over the purchase of such services separately, including with respect to mutual funds, collective investment vehicles, or other assets that may comprise a LIS, AFP, Model Strategies, KMA, EMA Program or SMA Program account and which may be purchased on an individual basis through KIS' standard brokerage services.

Investments in mutual funds and ETFs are subject to various other fees that are paid by those portfolios, but ultimately are borne by shareholders through lower returns than would likely be experienced without those fees. These expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees related to investment in mutual funds. In addition, securities purchased by an Investment Manager may require that spreads be paid to market makers as markups or markdowns of the price of the security purchased. For further information, please see Item 4 Current Advisory Product descriptions above and the prospectus for the applicable mutual fund or ETF.

KIS is generally compensated on the basis of fees calculated as a percentage of assets under management, and may also on occasion be compensated through fixed-fee arrangements. Fees that are calculated as a percentage of assets under management are generally charged quarterly in advance, based upon the average daily balance of assets under management, including money market and other cash equivalent assets, during the prior quarter. All fees are deducted from the account unless otherwise agreed.

KIS or the Client may generally terminate Client agreements at any time by written notice, in some cases with thirty (30) days' prior written notice. If a Client terminates the agreement within five (5) business days after it has been signed by the Client and accepted by KIS, the Client generally will receive a full refund of all fees and expenses. If an agreement is terminated at any time after five (5) business days of its signing and during a quarter, the Client will be entitled to a pro rata refund of any prepaid fees, in each case based upon the number of days remaining in the quarter after the date upon which notice of termination is received.

For all Advisory Products, Clients are charged a wrap fee every calendar quarter in advance for services that generally include advisory, transactional and custodial services. The maximum wrap fee that Clients may be charged is set forth in the tables above under the applicable Advisory Product. The wrap fee actually paid by a particular Client is set forth in the Client Agreement. With respect to Lockwood advisory products and Model Strategies Program products, KIS shares a portion of the wrap fee with Lockwood, Pershing, BIM (for the BlackRock Program I), ASG, LWI, and any applicable sub-managers, for their respective services. With respect to Envestnet advisory products, KIS shares a portion of the wrap fee with Envestnet. No wrap fee adjustments are made for any billing period with respect to partial withdrawals within a billing period. Wrap fees do not cover all costs or charges arising from these accounts. For further information, please see current Advisory Product descriptions in Item 4 above and the respective third-party service provider's applicable Form ADV Part 2 brochure.

KIS will share its portion of the wrap fee it receives with the KIS FA for the Client's account ("Fee Split"). KIS will provide a greater portion of the Fee Split to its personnel in connection with new accounts opened in the first year than in subsequent years. The payment by KIS of additional compensation to FA will not affect the amount of the Fee charged to Client's account. The amount of such compensation may be greater than what the KIS FA would receive if the Client purchased separately KIS's brokerage or other services as such services. Such personnel may, therefore, have a financial incentive to recommend these products over other products, programs or services.

Fees for individual customers may be negotiated in KIS's sole and absolute discretion. In KIS's sole and absolute discretion, certain related accounts may be aggregated for purposes of applying the applicable blended fee schedule as if the accounts were one account. Account minimums may also be waived in KIS's sole and absolute discretion. KIS in its sole and absolute discretion may also charge different fees than the fees summarized in this brochure, such as a flat fee rate such that assets will be charged the same

rate regardless of the amount of assets in the account, based upon matters that may be deemed relevant by KIS such as additional assets under management in different programs or other business relationships with the Client. This could cause customers who do not receive such treatment to pay more for the similar services.

KIS may in its sole discretion change the actual fee charged upon thirty days' written notice to the Client. Clients may accept the change or close the account.

Because KIS's advisory fees (and Lockwood's, Envestnet's, BIM's, ASG's, LWI's and SMA Program Investment Manager's portions of the fees) are based on assets under management, KIS, Lockwood, Envestnet, BIM, ASG, LWI and/or SMA Program Investment Managers have a conflict of interest in valuing securities held in Client accounts, since a higher valuation produces higher advisory fees. In order to ensure that Client assets are accurately valued, for purposes of calculating fees where Pershing acts as the Client's custodian, securities listed on any national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which they are traded. Any other securities or investments shall be valued in a manner determined in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets. Pershing in its sole discretion may use the services of an independent evaluator, as well as other independent sources with respect to the computation of market value of securities. The data contained in those reports has not been verified by Pershing or KIS.

A Client may select that uninvested cash funds in their account awaiting permanent investment may be swept into the Dreyfus Insured Deposit Program (the "Program") offered through Pershing. Pershing operates the Program which, if the Client chooses to participate, will sweep Client's excess cash balances in their brokerage account at Pershing into interest-bearing bank deposit accounts ("Deposit Accounts") at various depository institutions ("Program Banks") and sweeps a Client's cash from the various Program Banks to cover purchases of securities and other debits in the Client's brokerage account carried at Pershing. The Client receives interest on balances held on deposit at the various Program Banks. Interest rates may fluctuate and are based on the interest rates determined and paid by the respective Program Banks in which a Client's balances are invested. A Client may receive a lower rate of return on balances invested through the Program than on other investment or cash sweep alternatives. A Client will not have a direct access to the funds deposited with the Program Banks, but a Client may access his or her funds through their account by contacting their FA to process such a request through Pershing. A Client's brokerage statement will list the names of the Program Banks holding the Client's balances, as well as how much is on deposit with each respective Program Bank. Pershing or its affiliated companies (Promontory InterFinancial Network ("Promontory") and Dreyfus Cash Investment Services, a division of MBSC Securities Corporation ("Dreyfus")) who provide services to the Program may change Program Banks participating in the program and their priority for receiving deposits from time to time. Pershing, Promontory and Dreyfus earn fees (which may or may not be account-based) on the amount of money in the Program, including a Client's balances. Pershing or Dreyfus may be affiliated with Program Banks. KIS's affiliated banks are not at present Program Banks. For further information concerning the Program (including the eligibility of deposited funds for FDIC insurance of up to \$250,000 per insurable interest) please read the Dreyfus Insured Deposit Program Disclosure Statement and Terms and Conditions for Single Rate Program which is supplied at account opening or is available on request from a Client's FA.

#### **Other Fees and Compensation Received by KIS from Third Parties**

Certain mutual funds, in which Clients may invest, distribute or may distribute payments to KIS and/or Pershing as clearing broker for KIS. KIS may therefore have a financial incentive to recommend these mutual funds over other mutual funds that may be included in the asset allocation of a Client's wrap account. Such payments may be made pursuant to a Rule 12b-1 distribution plan or other arrangements as compensation to help defray the costs of services offered by KIS and made available to fund families

such as for distribution, shareholder services, record keeping, administrative services, and the costs of KIS FA training and continuing education and sales events. Such payments may be distributed from the fund's total assets. Individual KIS FAs do not receive any portion of these payments. This includes payments from mutual funds for which neither KIS nor any of its affiliates or subsidiaries ("Key") serves as an investment adviser, fund manager, or distributor ("Non-Proprietary Mutual Funds"). Key may receive compensation from the Non-Proprietary Mutual Funds and/or the Non-Proprietary Mutual Fund companies for providing services in connection with investments by its customers. For example, Key has entered into arrangements with Non-Proprietary Mutual Fund companies under which the Non-Proprietary Mutual Funds and/or the Non-Proprietary Mutual Fund companies will compensate Key for the Non-Proprietary mutual fund services. These fees for services shall be in addition to, and will not reduce, Key's compensation for other services to Clients' accounts. Such fees for services will not be paid directly by Clients' accounts, but will be paid to Key by the Non-Proprietary Mutual Funds company or the Non-Proprietary Mutual Fund itself. The 12b-1 fee and other arrangements will be disclosed upon Client's request and are typically available in the applicable fund's prospectus. KIS will credit or cause to be credited any 12b-1 fees that it may receive from a mutual fund in connection with a Client's wrap account back to the Client's wrap account. KIS will retain any other fee and that fee is in addition to the Advisory Product Fees discussed herein. For further information Clients should carefully review their KIS Standard Advisory Contract and Client Agreement and the prospectus for the applicable mutual fund.

Pershing has entered into agreements with certain mutual fund companies that pay Pershing for performing certain services for the mutual fund. Pursuant to these agreements, Pershing receives fees for operational services from mutual funds in the form of networking or omnibus processing fees. The reimbursements are remitted to Pershing for its work on behalf of the funds. This work may include, but is not limited to, subaccounting services, dividend calculation and posting, accounting, reconciliation, Client confirmation and statement preparation and mailing and tax statement preparation and mailing. These reimbursements are based either on (a) a flat fee ranging from \$10 to \$20 per holding or (b) a percentage of assets that can range from 0 to 15 basis points for domestic funds and 0 to 30 basis points for offshore funds. Mutual funds that are available in Pershing's FundVest no-transaction fee mutual fund program may pay Pershing servicing fees in exchange for being offered in Pershing's FundVest Program ("FundVest Program"). These payments are based on a percentage of assets and can range from 7 to 40 basis points. KIS may receive certain asset based revenue sharing fees from Pershing if assets under management in mutual funds in the FundVest Program from KIS's Clients exceed \$10,000,000. Such payment will be at the rate of 0.0040 multiplied by assets under management in funds participating in the FundVest Program. While KIS does not have discretion to invest in such funds, the additional compensation may give KIS a financial incentive to recommend funds participating in the FundVest Program over other funds.

### **Item 5: Account Requirements and Types of Clients**

The following are the minimum investment dollars required to open and maintain an account:

<u>Account Type</u>	<u>Size</u>
Lockwood Investment Strategies	\$250,000
SMA Program	\$100,000
Lockwood Advisor <i>Flex</i> Portfolios	\$ 25,000
Key Managed Account	\$ 25,000
BlackRock Program I	\$ 25,000
Calvert Program	\$ 25,000
Alpha Simplex Program	\$ 25,000
Loring Ward Program	\$ 25,000
EMA Program	\$ 25,000
Russell Model Strategies	\$ 10,000
Vanguard Strategic Model Portfolios	\$ 10,000
BlackRock Program II	\$ 10,000

KIS provides Wrap Programs to individuals, trusts, estates, and small businesses. Please read carefully Lockwood's Form ADV Part 2A for information about Lockwood's Clients. Please read carefully Envestnet's Form ADV Part 2A for information about Envestnet's Clients.

### **Item 6: Portfolio Manager Selection and Evaluation**

As described in Item 4, KIS is a Wrap Program Sponsor by which it provides access to certain investment advisory products including: 1) the programs offered through Lockwood being LIS and AFP Products, the Model Strategies Programs and the SMA Program, and 2) the programs offered through Envestnet being the KMA program offering uniform managed account model portfolios managed by Envestnet and the EMA Program offering model strategies.

With regard to the investment vehicles and sub-managers selected for the LIS and AFP products, Lockwood is the third party Money Manager of LIS and AFP, and the discretionary money manager with respect to covered SMA managers on Lockwood's SMA platform, that selects, reviews and replaces the investment vehicles and sub-managers for the LIS and AFP products and separately managed account programs. According to Lockwood's Form ADV Part 2A, The Bank of New York Mellon Corporation's ("BNY Mellon") Manager Research Group ("BYNMMRG") is the primary manager research provider to and provides manager and investment vehicle research to Lockwood. Lockwood is an indirect, wholly-owned subsidiary of BNY Mellon. Lockwood retains decision-making responsibility regarding managers and investment vehicles included in its programs and products. According to information in Lockwood's Form ADV Part 2A, Lockwood considers various sources of information and criteria in selecting and ongoing evaluation of investment vehicles and sub-managers for its wrap products and programs, which would include LIS and AFP. According to Lockwood's Form ADV Part 2A, with respect to portfolio managers and model managers Lockwood, through BYNMMRG, may consider a variety of criteria such as reviews of assets under management, personnel, registration, disclosures and regulatory history.

The criteria employed for each manager may not be identical and instead may be based on the nature of the manager's portfolios and investment philosophy.

According to Lockwood's Form ADV Part 2A, with respect to mutual funds, in its role as money manager Lockwood, through BYNMMRG, uses a screening process to evaluate mutual funds. According

to Lockwood's Form ADV Part 2A, criteria employed in the screening process may vary depending on a variety of factors, but may include a range of criteria including analysis of:

- Particular investment style;
- Evaluation of the portfolio management team;
- Performance criteria; and
- Costs associated with the fund

According to Lockwood's Form ADV Part 2A, with respect to ETFs, in its role as money manager Lockwood, through BYNMMRG, uses a comparable screening process and may consider a range of factors including:

- Tracked index or benchmark;
- Performance;
- Comparables;
- Personnel; and
- Content of the particular ETF.

Clients should read carefully Lockwood's Form ADV Part 2A for required disclosures concerning LIS, AFP, and SMA Program including with respect to Lockwood's investment vehicle and sub-manager selection and evaluation process and potential conflicts of interest created by Lockwood's use of the BYNMMRG.

KIS utilizes a monitoring program, which is administered by an Investment Advisory Sub-Committee to its Product Due Diligence Committee as set forth in Item 4, to evaluate its third party service providers participating in KIS' Wrap Programs. KIS utilizes various analysts, some of whom may be third party firms, to assist in the review of the analysis performed and supplied by Lockwood with regard to its review of the LIS and AFP Advisory Products. The Investment Advisory Sub-Committee will review annually the performance of Lockwood as Money Manager of LIS and AFP. This review will consider a combination of factors based on aggregated or summary information to evaluate Lockwood's overall management and selection of investment vehicles and sub-managers within the LIS, AFP and SMA Program products, including details regarding performance consistency and performance relative to peers, among other factors.

With respect to the Russell Program, KIS through Lockwood engages RIMCo to structure the 10 Models into which a Model Strategies investor may invest. RIMCo as third party model strategist selects, reviews and replaces Russell Fund mutual funds comprising the Models. Lockwood will review and replace mutual funds comprising the Models as directed by RIMCo. Lockwood does not conduct investment due diligence on the Models or RIMCo, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified RIMCo's status as a registered investment adviser prior to making the Russell Program available, including review of RIMCo's Form ADV Part 1 and 2 filings, and Lockwood requires RIMCo to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor RIMCo, the Models comprising its Model Strategies Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning Russell Program accounts please see Lockwood's and RIMCo's respective Form ADV Part 2A.

With respect to the Vanguard Program, KIS through Lockwood engages VAI to structure the Models into which a Vanguard Program investor may invest. VAI as third party service provider selects, reviews and replaces mutual funds comprising the Models. Lockwood will review and replace mutual funds comprising the Models as directed by VAI. Lockwood does not conduct investment due diligence on the Models or VAI, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified VAI's status as a registered investment adviser prior to making the Vanguard Program available, including review of VAI's Form ADV Part 1 and 2 filings, and Lockwood requires VAI to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor VAI, the Models comprising its Vanguard Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning Vanguard Program accounts please see Lockwood's and VAI's respective Form ADV Part 2A.

With respect to both BlackRock Programs, KIS through Lockwood engages BIM to structure the Models into which a BlackRock Program investor may invest. BIM as third party model strategist selects, reviews and replaces BlackRock mutual funds or iShares comprising the Models. Lockwood will review and replace mutual funds comprising the Models as directed by BIM. Lockwood does not conduct investment due diligence on the Models or BIM, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified BIM's status as a registered investment adviser prior to making the BlackRock Programs available, including review of BIM's Form ADV Part 1 and 2 filings, and Lockwood requires BIM to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor BIM, the Models comprising its Model Strategies Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning BlackRock Program accounts please see Lockwood's and BIM's respective Form ADV Part 2A.

With respect to the AlphaSimplex Program, KIS through Lockwood engages ASG to structure the Models into which an AlphaSimplex Program investor may invest. ASG as third party model strategist selects, reviews and replaces securities and other investments comprising the Models. Lockwood will review and replace mutual funds comprising the Models as directed by ASG. Lockwood does not conduct investment due diligence on the Models or ASG, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified ASG's status as a registered investment adviser prior to making the Alpha Simplex Program available, including review of ASG's Form ADV Part 1 and 2 filings, and Lockwood requires ASG to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor ASG, the Models comprising its AlphaSimplex Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning AlphaSimplex Program accounts please see Lockwood's and ASG's respective Form ADV Part 2A.

With respect to the Calvert Program, KIS through Lockwood engages Calvert to structure the Models into which a Calvert Program investor may invest. Calvert as third party model strategist selects, reviews and replaces mutual funds comprising the Models. Lockwood will review and replace mutual funds

comprising the Models as directed by Calvert. Lockwood does not conduct investment due diligence on the Models or Calvert, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified Calvert's status as a registered investment adviser prior to making the Calvert Program available, including review of Calvert's Form ADV Part 1 and 2 filings, and Lockwood requires Calvert to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor Calvert, the Models comprising its Calvert Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning Calvert Program accounts please see Lockwood's and Calvert's respective Form ADV Part 2A.

With respect to the Loring Ward Program, KIS through Lockwood engages LWI to structure the Models into which a Loring Ward Program investor may invest. LWI as third party model strategist selects, reviews and replaces mutual funds comprising the Models. Lockwood will review and replace mutual funds comprising the Models as directed by LWI. Lockwood does not conduct investment due diligence on the Models or LWI, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Models. Lockwood has represented and warranted to KIS that Lockwood has verified LWI's status as a registered investment adviser prior to making the Loring Ward Program available, including review of LWI's Form ADV Part 1 and 2 filings, and Lockwood requires LWI to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor LWI, the Models comprising its Loring Ward Program and Lockwood for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

For additional information, concerning Loring Ward Program accounts please see Lockwood's and LWI's respective Form ADV Part 2A.

With respect to Envestnet and the KMA program, KIS engaged Envestnet to create the 14 model portfolios into which a KMA Client may invest. Envestnet as third party service provider selects, reviews and replaces mutual funds and ETFs comprising the model portfolios. According to Envestnet's Form ADV Part 2A, Envestnet utilizes a proprietary research methodology and considers various sources of information and criteria in selecting and reviewing participating mutual funds and ETFs, which may include some combination of the following:

With respect to third party mutual funds and ETFs, Envestnet may consider factors such as:

- Historical performance;
- Investment philosophy;
- Investment style;
- Historical volatility;
- Correlation across asset classes;
- Manager Form ADV part 2 disclosure events;
- Portfolio holdings;
- With respect to ETFs, Envestnet may consider such factors as tracking, liquidity and cost performance.

For additional information please see Envestnet's Form ADV Part 2A.



With respect to Envestnet and the EMA Program, KIS through Envestnet engaged EMA to create the 15 Models into which a Model Strategies investor may invest. EMA as third party model strategist selects, reviews and replaces ETFs comprising the Models. Envestnet as overlay manager will review and replace ETFs comprising the Models as directed by EMA using the criteria set forth in the prior paragraph. Envestnet does not conduct investment due diligence on the Models or EMA, and Envestnet is not responsible for the selection of the underlying investment vehicles in the Models. Envestnet has represented and warranted to KIS that Envestnet has verified EMA's status as a registered investment advisor prior to making the EMA Program available, including review of EMA's Form ADV Part 1 and 2 filings, and Envestnet requires EMA to complete a compliance due diligence questionnaire on an annual basis. KIS through its Investment Advisory Sub-Committee of its Product Due Diligence Committee reviewed the Models for general suitability for its Clients and will review and monitor EMA, the Models comprising its EMA Program and Envestnet for their performance in the same manner as described in Item 4 and with respect to Lockwood and Envestnet.

In addition to the initial selection and ongoing review of mutual funds and exchange traded funds by Envestnet, KIS' Product Due Diligence Committee, through KIS' Investment Advisory Sub-Committee, also reviews and monitors Envestnet as a third party service provider with respect to the KMA program and the EMA Program in the same manner as described above in Item 4 and with respect to Lockwood.

For additional information please see Envestnet's, EMA's and CFIA's respective Form ADV Part 2A. The Investment Advisory Sub-Committee has also implemented a process for the initial selection and ongoing monitoring of third-party service providers to its Wrap Programs.

In addition, KIS's monitoring program for its Wrap Program also provides that its FAs meet regularly, no less than annually and more frequently as circumstances permit, with Clients to review performance of their accounts, conduct a suitability analysis of investments, verify and confirm risk tolerance with the Client, address diversification and risk issues attendant to certain investments, make any necessary adjustments to the account based on the changes to the Client's financial situation, and evaluate with Clients whether portfolio managers remain suitable for the Client or should be adjusted. For additional information regarding Review of Accounts, please see Item 9(4).

Lockwood, Dreyfus and Promontory are affiliated with Pershing. This could result in conflicts of interest where one firm hires an affiliate as a portfolio manager or other service provider. For further information please read carefully Lockwood's Form ADV Part 2A and the Dreyfus Insured Deposit Program Disclosure Statement and Terms and Conditions for Single Rate Program, either of which is supplied at account opening or is available on request from a Client's FA. Lockwood, Promontory, Dreyfus and Pershing are not affiliated with KIS.

Certain Investment Managers or sub-managers may, as part of their independent trading strategies, purchase securities issued by KeyCorp or may purchase securities through or securities underwritten by KeyBanc Capital Markets, Inc., an affiliated broker-dealer of KIS, in Lockwood Investment Strategies, the SMA or other programs. . KIS and its FAs: do not exercise discretion over these programs; do not require, encourage, or have advance notice of or coordinate with Lockwood, Envestnet, or any other Investment Manager to purchase affiliated securities, to purchase securities through a KIS affiliate, or to purchase securities underwritten by a KIS affiliate; do not receive compensation in the event an Investment Manager was to purchase such securities. Nevertheless, the benefits to KIS's affiliates may create a potential conflict of interest, however, it did not and does not affect KIS's, Envestnet's or Lockwood's decision to include these firms in a managed account program and these Investment Managers and investment vehicles are subject to KIS's, Envestnet's and Lockwood's respective due diligence criteria.

In addition, Lockwood is an indirect, wholly owned subsidiary of BNY Mellon. According to Lockwood's Form ADV Part 2A brochure, Vanguard Group, Inc. and BlackRock Fund Advisers (affiliates of VAI and BIM respectively) are two of the top ten institutional owners of BNY Mellon common stock. This, and other fund managers participating in the KIS Advisory Program with holdings of BNY Mellon securities, may create a conflict of interest. Lockwood represents in its Form ADV Part 2A that this did not and does not affect Lockwood's decision to include these managers or their products in their managed account program, and that these managers and their products are subject to Lockwood's due diligence. For further information please see Lockwood's Form ADV Part 2A.

Envestnet also has affiliated companies, although Envestnet does not contemplate using any service providers to carry out its duties under the KMA program or the EMA Program. Should Envestnet determine to use an affiliated company for the provision of services under the KMA or EMA, this could result in conflicts of interest such as where Envestnet hires an affiliate as a fund manager or other service provider. For further information please read carefully Envestnet's Form ADV Part 2A.

### **Item 7: Client Information Provided to Portfolio Managers**

Privacy is an important issue. KeyCorp's Privacy Policy is initially given to the Client upon the opening of an account and is subsequently provided at least annually thereafter and also upon request to KIS advisory Clients. KIS solicits information concerning a Client's name, address, financial situation, investment experience, tax status, tax reporting information and other personal non-public information. KIS will ask for this prior to recommending a wrap account and on an annual basis thereafter. KIS will provide that information to participating third-party service providers so that they may service the Client's account. The third-party service provider may then provide it to the portfolio manager, if any, for account servicing purposes. Please review Lockwood's Form ADV Part 2A for further information on this item with respect to Lockwood advisory products and Envestnet's Form ADV Part 2A for further information on this item with respect to Envestnet advisory products. For KIS SMA Program Clients, please also review your selected Investment Manager(s) Form ADV Part 2A for further information. In addition, KIS will also provide such Client information to Pershing or other service providers as necessary in connection with the performance of services for Client accounts.

### **Item 8: Client Contact with Portfolio Managers**

Clients should first contact their KIS FA in order for the FA to arrange a direct consultation between the Client and Lockwood or the Client and Envestnet, as the case may be. For further information on contacting portfolio managers please read carefully Lockwood's Form ADV Part 2A and Envestnet's Form ADV Part 2A, as applicable.

### **Item 9: Additional Information**

#### **(1) Disciplinary Information**

On January 27, 2016 KIS entered into a Letter of Acceptance, Waiver and Consent to conclude an investigation by the Financial Industry Regulatory Authority, Inc. (FINRA). Without admitting or denying FINRA's findings, KIS consented to a censure, a fine of \$100,000, restitution of \$100,247.02, and to FINRA's findings that KIS in its broker-dealer operations failed to identify and apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UIT) resulting in customers paying excessive sales charges of approximately \$95,254.34. The findings stated that KIS has already

paid restitution to all affected customers in addition to interest of \$4,992.68. The findings also stated with respect to price discounts for UIT rollover transactions that KIS failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed so that customers received rollover discounts on all eligible UIT purchases. None of these findings apply to the advisory programs described in this Form ADV Part 2A Appendix 1.

## **(2) Other Financial Industry Activities and Affiliations**

KeyCorp, one of the nation's largest bank holding companies, is the sole owner of KIS through its subsidiary KeyBank National Association ("KeyBank").

KIS's principal business is as an introducing broker-dealer registered with the U.S. Securities and Exchange Commission, a member of Financial Industry Regulatory Authority, and various other regulatory bodies. As a broker-dealer, KIS may provide a variety of services (including non-advisory services) and render advice as to the value and/or advisability of purchasing or selling securities, without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer. The principal business of KIS's executive officers is the day-to-day management of the broker-dealer activities. KIS's executive officers are: Marc A. Vosen, President; Paul A. Hansen, Chief Operations Officer; Gary J. Marousek, Chief Compliance Officer; Matthew T. Gulla, Chief Financial Officer; Michael F. Sheridan, Regional Sales Manager; and Paul A. Weick, Chief Legal Officer. All executive officers are KIS registered representatives and hold appropriate supervisory licenses.

KIS also provides advisory services through the programs as described in this brochure. Certain of KIS's affiliates also provide investment banking, foreign exchange, interest rate risk and equity risk management services and equity and fixed income proprietary research.

KIS FAs may also act as insurance agents for the sale of insurance products and policies that are available through KeyCorp Insurance Agency USA Inc., an affiliated insurance agency. KIS FAs may recommend the purchase of insurance products to Clients and may receive commissions in connection with such purchases.

Various affiliates of KIS sponsor investment-related limited partnerships and limited liability companies and serve as general partner and manager, respectively, of such entities. KIS generally does not recommend that its advisory Clients invest in these entities, and has no arrangements that are material to its advisory business or its Clients with any of these entities, or with their affiliated sponsors with respect to such entities.

KeyCorp's bank and trust company subsidiaries offer personal and corporate trust services, personal financial services, access to mutual funds, cash management services, investment banking and capital markets products, and international banking services. Through its bank, trust company and registered investment subsidiaries, KeyCorp provides investment management services to Clients that include large corporate and public retirement plans, foundations and endowments, high net worth individuals and Taft-Hartley plans. In addition, KeyCorp's national banking subsidiary, KeyBank National Association, is a registered municipal advisor.

KeyBanc Capital Markets, Inc. is an affiliated broker-dealer registered with the United States Securities and Exchange Commission and member New York Stock Exchange and Financial Industry Regulatory Authority. It provides brokerage services to institutional Clients and also provides investment banking services. It does not provide services to KIS, but may to certain managers or sub-managers in KIS's advisory program.

KPB Investment Advisors LLC (“KPBIA”) is a wholly-owned subsidiary of KeyBank. KPBIA provides investment advisory services only to mutual funds investing in tax-exempt fixed income. It does not provide services to KIS.

### **(3) Code of Ethics**

As discussed below, KIS has in place an Investment Advisory Code of Ethics that provides for KIS and its FAs to exercise their fiduciary duty to Clients to act in the best interest of the Client and always place the Client’s interests first and foremost. KIS takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as with KIS’ policies and procedures.

Further, KIS strives to handle Clients’ non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides Clients with KeyCorp’s Privacy Policy. As such, KIS maintains a Code of Ethics for its FAs, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about Client transactions. Further, KIS’ Code of Ethics establishes KIS’ expectation for business conduct.

KIS’ Code of Ethics is distributed to each employee and FA at the time of hire/contract, and as the Code is modified. In addition, KIS requires an annual certification by all employees/FAs regarding their understanding and compliance with the Code of Ethics. KIS also supplements the Code with annual training and on-going monitoring of employee activity.

KIS’s employees also adhere to KeyCorp’s Code of Ethics. All employees must acknowledge the terms of both Codes, as amended, annually.

A copy of KIS’s Code of Ethics will be provided to any Client or prospective Client upon request to our Compliance Department at 1-888-547-2968.

#### **Participation or Interest in Client Transactions**

KIS FAs are registered representatives with KIS and must execute securities transactions through KIS, unless FAs obtain authorization to execute securities transactions through another broker-dealer.

Related persons of KIS (any advisory affiliate and any person that is under common control with KIS) can buy or sell securities identical to those securities recommended to Clients. Therefore, related persons will have an interest or position in certain securities that are also recommended and bought or sold to Clients. The policy of KIS is that related persons shall not put their interests before a Client’s interest. FAs may not trade ahead of their Clients or trade in such a way to obtain a better price for themselves than for their Clients. KIS is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. KIS and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

In accordance with Section 204A of the Investment Advisers Act of 1940, KIS also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public

information by KIS or any person associated with KIS. Further, the Code of Ethics contains prohibitions against such transactions.

No KIS advisor or related person is permitted to recommend securities to advisory accounts, or buy or sell securities for advisory accounts at or about the same time that the advisor or related person buys or sells the same securities for the adviser's own or related person's account.

KIS requires that all registered employees' brokerage accounts be held at KIS. If an employee cannot obtain needed services at KIS, it requires copies of all brokerage statements be provided to it directly from the third party broker.

#### **(4) Review of Accounts**

As set forth in Item 4, KIS has established an Investment Advisory Sub-Committee of senior KIS managers to review third party service providers and their advisory products on an annual basis to ensure general suitability and that the respective Advisory Product's investment performance is appropriate. Your KIS FA will review your account annually with you to ensure that it is still a suitable investment for you.

In addition, before a wrap fee account is recommended, the KIS FA makes reasonable efforts to obtain information about the Client's financial status, investment objectives, trading history, size of portfolio, nature of securities held and account diversification. Based on these factors and any other relevant information, the FA considers whether the account recommended is appropriate in light of the services provided, the projected cost to the Client, alternative fee structures that may be available, and the Client's fee structure preferences. Continued suitability is monitored annually with the Client based on the initial factors set forth previously and any new information received concerning the Client's financial situation. Clients are urged to contact their KIS FA if any significant change in their financial situation occurs so that their plan may be reviewed.

Generally, for each month in which there is activity in a Client's account, or, if there is no activity, on a quarterly basis, Clients receive through Pershing a written account statement which includes a summary of transactions, an inventory of holdings, and other information. Lockwood and Envestnet may also make available quarterly performance statements of Client accounts detailing account performance, positions and activity to KIS and its FAs. The quarterly performance statements are intended to provide KIS and its FAs with sufficient information to determine whether the investment managers are performing in accordance with certain objective standards, such as a comparison of a Client's account performance with respect to the performance of a relevant index, other investment managers who advise with respect to investment objectives similar to the Client's, and other factors as KIS may determine. The quarterly performance statement data may be based upon information obtained from third parties. The data contained in those statements has not been verified by KIS. Clients also receive brokerage confirmations unless this option is waived by the Client.

Lockwood, Envestnet or other Investment Managers) monitor and review their Clients' accounts pursuant to their own compliance and supervisory systems of account review. Please read carefully Envestnet's Form ADV Part 2A and Lockwood's Form ADV Part 2A, as applicable. For KIS SMA Program Clients, please also review your selected Investment Manager(s) Form ADV Part 2A for further information.

#### **(5) Client Referrals and Other Compensation**

KIS does not pay referral fees to any third party that is not supervised by it. Certain compensation plans which its parent, KeyBank, sponsors are discretionary bonus plans. Revenues from KIS may be one of many factors (most of them not securities related) that determine the amount of the bonus under the plan.

This revenue might be affected by a referral from a non-supervised banker and thus might affect the payout to that banker. However, referrals by that banker or any other banker may not be taken into account in determining bonus payments.

**(6) Financial Information**

KIS does not require its Clients to pre-pay more than \$1,200 in fees per Client six months in advance.

KIS is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients.

KIS has never filed or been the subject of a bankruptcy petition.