

# Key Capital Management, Inc. Wrap Fee Program Brochure

*This brochure provides information about the qualifications and business practices of Key Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (615) 826-5749 or by email [kevin@woodfinancialgroup.com](mailto:kevin@woodfinancialgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Key Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Key Capital Management, Inc.'s CRD number is: 173773.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Since the previous annual amendment was filed in March 2023, no material changes have been made to this brochure.

Additionally, though not material, certain disclosures throughout this Brochure have been updated and enhanced. Clients should carefully read this brochure in its entirety.

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## Item 4: Services Fees and Compensation

Key Capital Management, Inc. (hereinafter "KCMI") offers the following services to advisory clients:

### A. Description of Services

KCMI participates in and sponsors a wrap fee program, which allows KCMI to manage client accounts for a single fee that includes both portfolio management services and brokerage costs. The fee schedule is set forth below:

Total Assets Under Management	Annual Fee
All Assets	1.75%

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Exhibit II of the client contract. KCMI uses the last day of previous month for purposes of determining the market value of the assets upon which the advisory fee is based.

Advisory fees are generally payable monthly, in arrears, based on the value of the last day of the period. If the portfolio management agreement is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month for which you are a client. We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, our qualified custodian, will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Either we or the client may terminate their investment advisory agreement at any time, subject to written notification requirements in the investment advisory agreement. In the event of termination, the client will receive a bill for all advisory services during the period up to and including the date of termination. The bill will be based on the daily rate, which is calculated by dividing the annual rate by 365, times the number of days in the period. This bill will be due on the date of termination. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

At our discretion, we may, and customarily do, combine the account values of family members living in the same household to determine the applicable advisory fee.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There

are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

### **C. Additional Fees**

Clients who participate in the wrap fee program will not have to pay for transaction or trading fees. However, clients are still responsible for all other account fees, such as annual IRA fees to the custodian.

### **D. Compensation of Client Participation**

Neither KCMI, nor any representatives of KCMI receive any additional compensation beyond advisory fees for the participation of clients in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, KCMI may have a financial incentive to recommend the wrap fee program to clients.

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

KCMI generally provides its wrap fee program services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

### ***Minimum Account Size***

There is an account minimum of \$50,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Selecting/Reviewing Portfolio Managers**

KCMI will serve as a portfolio manager and will select outside portfolio managers for this wrap program.

#### ***1. Standards Used to Calculate Portfolio Manager Performance***

KCMI will use industry standards to calculate portfolio manager performance.

#### ***2. Review of Performance Information***

KCMI reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed quarterly and is reviewed by KCMI.

## **B. Related Persons**

KCMI and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses KCMI's management of the wrap fee program. However, KCMI addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

## **C. Advisory Business**

KCMI offers portfolio management services to its wrap fee program participants as discussed in Section 4 above.

### ***Wrap Fee Portfolio Management***

KCMI offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. KCMI creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

KCMI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

### ***Performance-Based Fees and Side-By-Side Management***

KCMI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Services Limited to Specific Types of Investments***

KCMI generally limits its investment advice to mutual funds, equities, bonds, fixed income, ETFs, real estate, REITs. KCMI may use other securities as well to help diversify a portfolio when applicable.

### ***Client Tailored Services and Client Imposed Restrictions***

KCMI offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### ***Wrap Fee Programs***

KCMI sponsors and acts as portfolio manager for this wrap fee program. KCMI manages the investments in the wrap fee program but does not manage those wrap fee accounts any differently than non-wrap fee. The fees paid to the wrap account program will be given to KCMI as a management fee.

### ***Amounts Under Management***

As of January 2, 2024, KCMI has approximately \$43,786,422 in assets in sponsored wrap accounts.

### ***Methods of Analysis and Investment Strategies***

KCMI's methods of analysis include fundamental analysis, technical analysis, quantitative analysis and modern portfolio theory.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data, primarily price and volume.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Modern portfolio theory** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

KCMI uses long term trading and short-term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**



## ***Material Risks Involved***

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Quantitative Model Risk:** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Long term trading** is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short term trading**, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## ***Risks of Specific Securities Utilized***

KCMI generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**Real Estate** funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### ***Voting Client Proxies***

KCMI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

KSMI will collect client information including but not limited to basic financial information, investment objectives, risk tolerance, sophistication level, and income level and provide this information to its personnel acting as portfolio managers as well as to any outside portfolio managers. As that information changes and is updated, KCMI will provide the updated information to all portfolio managers.

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

KCMI places no restrictions on client ability to contact its portfolio managers. KCMI's representatives, Wesley Price Wood can be contacted during regular business hours and contact information is on the cover page of Wesley Price Wood's Form ADV Part 2B brochure supplement.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceeding***

There are no administrative proceedings to report.

#### ***Self-regulatory Organization Proceedings***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of KCMI or the integrity of KCMI's management. In 2017 Wesley Wood, without admitting or denying the findings, Wood agreed to a Settlement with FINRA and consented to the sanctions and to the entry of findings that he reimbursed a customer fees, by providing the customer a total of \$9,289.54, after she complained about the surrender fees and early redemption penalties incurred in liquidating certain securities in her account and he failed to inform his member firm of the customer's complaint or the reimbursement. The findings stated that Wood exchanged firm related email with the same customer using a personal email address that was not disclosed to or approved by his firm. The communications with the customer was in violation of the firm's written supervisory procedures. The emails sent by Wood and contained therein were not retained or preserved by the firm, thereby causing the firm to fail to comply with its recordkeeping obligations. Wood agreed to a settlement with FINRA suspending him from association with any FINRA member for a period of two months and agreed to pay a fine of \$10,000.

Further information regarding Wesley Wood, Key Capital Management Group or other advisors at KCMI can be found by visiting the SEC Investment Adviser Public Disclosure website at <https://adviserinfo.sec.gov/>

### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

No employee of KCMI is registered as a Broker/Dealer Representative.

### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither KCMI nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests.***

Representatives of KCMI are independent, licensed insurance agents for Wood Financial Group. From time to time, they will offer clients advice or products from these activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser.

Wood Financial Group, which is under common ownership with KCMI, offers tax preparation services. As a result, there is an incentive for KCMI to recommend that clients use this service, and it presents a conflict of interest.

KCMI always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients and the recommendation of tax prep services. Clients are in no way required to purchase such services or products through any representative of KCMI in such individual's outside capacities.

### ***Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections***

KCMI utilizes Sound Income Strategies ("SIS") as a third-party investment adviser. When an account is being sub advised by SIS, SIS will collect an additional fee to those charged by KCMI. This fee will be 0.30% at maximum. This will increase the fees paid by individual clients. None of the fees paid to SIS are received by KCMI. Individual clients will not have a signed agreement with SIS. KCMI still retains discretionary authority over these accounts and is responsible for determining whether investments recommended by SIS are suitable for each client. KCMI is not compensated for selecting SIS as a third-party investment adviser.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

KCMI does not recommend that clients buy or sell any security in which a related person to KCMI or KCMI has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of KCMI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of KCMI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. KCMI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of KCMI may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of KCMI to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, KCMI will never engage in trading that operates to the client's disadvantage if representatives of KCMI buy or sell securities at or around the same time as clients.

### ***Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Our advisers will monitor your accounts on an ongoing basis and will conduct account reviews at least annually or upon client request, to ensure the advisory services provided to you are consistent with client's investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- Contributions and withdrawals,
- Year-end tax planning,
- Market moving events,
- Security specific event, and/or,
- Changes in your risk/return objectives

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

KCMI participates in the institutional advisor program (the "Program") offered by Charles Schwab. Charles Schwab offers independent investment advisor services which include custody of securities, trade execution, clearance and settlement of transactions. KCMI receives some benefits from Charles Schwab through its participation in the Program.

As part of the Program, KCMI may recommend Charles Schwab to clients for custody and brokerage services. There is no direct link between KCMI's participation in the Program and the investment advice it gives to its clients, although KCMI receives economic benefits through its participation in the Program that are typically not available to Charles Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving KCMI participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have KCMI's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to KCMI by third party vendors. Charles Schwab may also pay for business consulting and professional services received by KCMI's related persons. Some of the products and services made available by Charles Schwab through the Program may benefit KCMI but may not benefit its client accounts. These products or services may assist KCMI in managing and administering client accounts, including accounts not maintained at Charles Schwab. Other services made available by Charles Schwab are intended to help KCMI manage and further develop its business enterprise. The benefits received by KCMI or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to Charles Schwab. As part of its fiduciary duties to clients, KCMI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by KCMI or its related persons in and of itself creates a conflict of interest and

may indirectly influence the KCMI's choice of Charles Schwab for custody and brokerage services.

***Compensation to Non – Advisory Personnel for Client Referrals***

KCMI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

***Balance Sheet***

KCMI neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Neither KCMI nor its management has any financial condition that is likely to reasonably impair KCMI's ability to meet contractual commitments to clients.

***Bankruptcy Petitions in Previous Ten Years***

KCMI has not been the subject of a bankruptcy petition in the last ten years.