

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

Sponsored by: KMS Financial Services, Inc.

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

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

Item 2 - Material Changes

Since the last filing of this Brochure on June 26, 2020, KMS has made the following non-material change:

Item 10 – Other Financial Industry Activities and Affiliations

- Deleted references to Investacorp, Inc. and Investacorp Advisory Services as these firms have terminated their registrations and are no longer affiliated with KMS.

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Item 4 – Service, Fees and Compensation

KMS, founded in 1971, is a Seattle-based, independently operated investment advisory firm that is registered with the Securities Exchange Commission (SEC), SEC file No. 801-11375. KMS is also a securities broker-dealer registered with the SEC, the Financial Industry Regulatory Authority (“FINRA”) and all 50 states plus the District of Columbia.

KMS operates through supervised financial professionals, who are investment advisory representatives and/or securities registered Financial Professionals. Registration does not imply any particular level of skill or training, although many KMS Financial Professionals maintain related certifications and designations.

KMS is a wholly-owned subsidiary of Advisor Group Holdings, Inc., which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes, RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P., and The Berliniski Family 2016 Trust.

Financial Professionals who engage in advisory business are allowed to conduct their investment advisory activities under a separate unaffiliated business name or “DBA” (“doing business as”). Such Financial Professionals are registered with KMS and provide investment advice through KMS. KMS supervises the Financial Professionals’ investment advisory activities. The names of such DBAs can be found in each Financial Professional’s 2B Brochure. Fee agreements and marketing materials clearly disclose KMS as the Registered Investment Advisor clients are engaging for investment advisory services.

KMS offers a range of investment advisory services through multiple platforms and custody arrangements. Those services include financial planning, investment advice and asset management for fees based on a percentage of assets under management as well as advisory services of a number of unaffiliated third-party investment advisors. KMS offers these products and services to the public through its Financial Professionals who are registered as Investment Advisor Representatives. For a description of all these services, please contact KMS or your Financial Professional and ask for KMS’ Form ADV Part 2A Firm Brochure.

Each KMS Financial Professional should provide his or her advisory clients with details of Financial Professional’s background in a 2B Brochure Supplement, which is available from your Financial Professional or by contacting KMS. **If you have not received such 2B Brochure Supplement, please contact your Financial Professional or KMS.**

As of December 31, 2019, KMS had approximately \$6,717,341,769 of discretionary assets under management and approximately \$1,475,977 of non-discretionary assets under management for a total of approximately \$8,193,319,355 assets under management.

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

As part of our commitment to providing the best possible service, we ask that if you are an existing client you notify your Financial Professional if there have been any changes to your financial situation or your investment objectives, or if you would like to place or modify any reasonable restrictions on the management of your account.

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

Depending on the nature of the advisory relationship, a Client may decide to grant investment discretion to his or her Financial Professional, as declared in the Agreement. Investment discretion granted to a Financial Professional is limited to the selection and amount of the securities to be bought or sold. If Client selects non-discretionary authority, the Financial Professional will receive verbal authority from Client before executing trades in the account. Trades are confirmed promptly by KMS' clearing agent Pershing. Every calendar quarter Pershing will send Clients a full account statement and, under separate cover, performance reports. KMS urges Clients to promptly review all such account information.

Institutional Intelligent Portfolios ("Schwab Program") – KMS also offers an automated investment program (the "Schwab Program") through which clients are invested in a range of investment strategies the Financial Professional constructs and manages, each consisting of a portfolio of exchange traded funds ("ETFs") and/or mutual funds and a cash allocation. We use the Institutional Intelligent Portfolios Platform ("Platform") offered by Schwab Performance Technologies ("SPT") to operate the Schwab Program. The client may request reasonable restrictions to the funds held in their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., "CS&Co." KMS is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co or their affiliates (together, "Schwab"). We have contracted with SPT, a software provider to independent investment advisors and an affiliate of CS&Co to provide us with the Platform, which consists of technology and related trading and account management services for the Program.

KMS, not Schwab, is the client's investment advisor and the KMS Financial Professional is the primary point of contact with respect to the Schwab Program. The Financial Professional determines the appropriateness of the Program for the client, recommending a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. KMS has contracted with SPT to provide us with the technology platform and related trading and account management services for this Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that helps the Financial Professional determine the client's investment objectives and risk tolerance and recommend an appropriate investment strategy and portfolio. The client may indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio. The Financial Professional will recommend a model

portfolio based on the client's stated investment objectives, risk tolerance and other information KMS has about the client.

The System also includes an automated investment engine through which KMS manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). Clients do not pay fees to SPT in connection with the Schwab Program, but KMS charges clients a fee for our services as described below under Item 5 (Fees and Compensation). Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Schwab Program. Schwab does receive other revenues in connection with this Program. KMS does not pay STP fees for its services so long as KMS maintains \$100 million in client assets in accounts at CS&Co that are not enrolled in the Program. If we do not meet this condition, then KMS pays STP an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co. KMS mitigates this conflict through this disclosure to you.

Securities-Based Lending: Currently KMS Financial Professionals offers the Loan Advance Lending Program, a securities-backed lending program available through Pershing LLC in which your advisory account held at Pershing is used as collateral for an extension of credit for a purpose other than to purchase, carry or trade in securities; e.g. the purchase of a house. A variable interest rate is charged on the monthly debit balances which will be added to the opening debit balance for the next interest period if not paid. If the value of the securities held in the account declines below the maintenance level determined for the account, clients may be subject to a maintenance call to post additional collateral. If a client is unable to do so, securities in the account may be liquidated to satisfy the call.

These loans have a number of advantages and risks which should be considered before opening the account. Advantages include the flexibility of spending while at the same time receiving the benefits of the holdings in the collateral account such as dividends, interest and the potential appreciation of the securities. The risks to these loans are discussed in Item 8 below.

Your Financial Professional is not compensated directly for your participation in the Program; however, because the Financial Professional will continue to receive compensation for managing the assets in the advisory account, this creates a conflict of interest as the Financial Professional is incentivized to encourage clients to keep the securities invested and to borrow funds instead of liquidating the securities to address the current need. KMS mitigates this conflict by this disclosure to you. We encourage you to discuss this with your Financial Professional before initiating the loan, to determine whether, considering the advantages and risks related to this program, it is in your best interest to participate.

Affiliated Products and Services: Certain products and services of affiliates are available through KMS.

Alternative Strategies Fund: Ladenburg Thalmann Asset Management ("LTAM") is the investment adviser to the Alternative Strategies Fund (LTAFFX, LTCFX). The Alternative Strategies Fund ("the Fund") is a closed end interval fund that incorporates quality alternative products and allows Clients to access these investments with lower minimums and no accreditation. The Fund's investment objective is to seek attractive risk-adjusted returns with low to moderate volatility and low correlation to the broader markets through a concentrated multi-strategy alternative investment approach with an emphasis on income generation.

Ladenburg Thalmann & Co. Inc. (“LTCO”) is also the distributor of the Fund and may receive commissions when executing trades on behalf of the Fund.

The Fund is comprised of a diversified portfolio of alternative investments in more than ten asset classes, including real estate investment trusts (REITs), master limited partnerships (MLPs), managed futures, equipment leasing, among others. Risks for interval funds and funds that invest in alternative strategies can be greater and different than for other investments. For information about the material risks associated with the Fund’s investment strategies, see the Fund’s prospectus. Prospectuses are available at www.ltafx.com or by contacting the Fund administrator at (877) 803-6583.

Ladenburg Funds

LTAM is the investment adviser to five funds collectively called the “Ladenburg Funds.” The five Ladenburg Funds are Ladenburg Income Fund, Ladenburg Income & Growth Fund, Ladenburg Growth & Income Fund, Ladenburg Growth Fund, and the Ladenburg Aggressive Growth Fund. Each of the Ladenburg Funds is an open end fund of funds that primarily invests in a combination of equity, fixed income and alternative strategy exchange traded funds (“ETFs”), exchange traded notes (“ETNs”) and mutual funds (together, “Underlying Funds” or “Fund(s)”). Funds that invest in alternative strategies can carry greater and different risks than funds that do not. Please see the prospectus for further details. The Funds employ the same investment strategies and features as the ones LTAM employs in managing separate client accounts in the Ladenburg Asset Management Program (“LAMP”).

Each Fund will have substantially the same investment objective, policies and strategies as its corresponding separate account strategy. The Funds’ fees may be more or less than the fees and expenses associated with the separate accounts managed by LTAM in LAMP. The Funds’ results will differ from that of the separate accounts in LAMP managed in a similar strategy because of differences in future behavior of the various investment markets, brokerage commissions, account expenses, the size of positions taken in relation to account size and diversification of securities, and the timing of purchases and sales, among other things. The Ladenburg Funds offer A, C, and I share classes in each Fund. Ladenburg Thalmann & Co. Inc. is the distributor of the Funds and may also receive commissions when executing trades on behalf of the Funds. There may be a conflict of interest when LTAM or its affiliates recommend any of the Ladenburg Funds.

Information about the Ladenburg Funds and the services LTAM provides to them can be found in Funds’ prospectus. Prospectuses are available at www.ladenburgfunds.com or by contacting the fund administrator to at (877) 803-6583.

Ladenburg American Funds® Core Portfolios: LTAM’s Ladenburg Asset Management Program (“LAMP”) manages the Ladenburg American Funds® Core Portfolios. Accounts utilizing these strategies will have a target allocation of 63% American Funds mutual funds, 35% Ladenburg mutual funds and 2% in cash. LTAM will evaluate the portfolios for rebalancing back to the target allocation at least annually or based on extreme market conditions. The mutual funds that are selected for these strategies are within the universe of American Funds mutual funds and based on due diligence conducted by LTAM on a variety of performance measures. LTAM periodically reviews each strategy to remove or replace those mutual funds that no longer meet the qualifications necessary for inclusion in the strategies. Because fund expenses will

vary, what clients pay will not, and LTAM controls the allocation to the mutual funds and rebalancing used within the strategy, this represents a conflict of interest. KMS monitors and addresses this conflict of interest through client disclosure and ongoing account monitoring.

Ladenburg Thalmann High Income Portfolio (Unit Investment Trust): LTAM provides a recommended list of securities to First Trust Portfolios, L.P. (First Trust), the sponsor of the Ladenburg Thalmann High Income Portfolio, a unit investment trust (UIT). The UIT's objective emphasizes income generation through non-traditional yield sources such as REITs, business development companies (BDCs), and MLPs. The portfolio is made up of individual securities, closed end funds, exchange traded funds (ETFs) and/or BDCs.

The Ladenburg Total Portfolio Series (Collective Investment Trusts): LTAM is the investment adviser to The Ladenburg Thalmann Total Portfolio Series which is a series of collective investment trusts ("CITs"). The CITs are a series of five portfolios established for qualified retirement plans, such as 401(k) plans and profit sharing plans. The portfolios are generally comprised of ETFs which closely mimic LTAM's traditional LAMP ETF models. The CITs are maintained by a bank trust, and are offered in two share classes, Advisory and Investor.

LTAM Sponsored Programs: LTAM also provides advisory services through several LTAM-sponsored programs, including: Ladenburg Asset Management Program ("LAMP"), the Investment Consulting Services ("ICS") Program, and Plan Sponsor and Plan Participant Services. Under these programs, Clients generally pay a single fee that covers both advisory services provided by LTAM and brokerage services provided by its affiliated broker-dealers, including KMS and through Schwab, Fidelity and TD Ameritrade. KMS, as broker-dealer, receives a portion of the wrap fee, as does the Financial Professional servicing the account. As described above in the section "Ladenburg American Funds® Core Portfolios", LTAM utilizes Ladenburg Funds within this strategy which represents a conflict of interest. KMS monitors and addresses this conflict of interest through client disclosure and ongoing account monitoring.

LTAM SYMBIL Solicitor Program

In exchange for referring clients to the SYMBIL service, LTAM may pay a fee to individuals who are associated with one of LTAM's affiliated broker-dealers or registered investment advisors. In some cases, the recipient of a referral fee may also be an LTAM-affiliated investment adviser or an independent investment adviser or an individual associated with an affiliated or independent investment adviser. Such fees, which are payable only where a referred client chooses to invest in one of the recommended Ladenburg Funds, are a portion of the fee LTAM receives for managing the chosen Fund. In some cases, the referral fee is paid through the solicitor's registered broker-dealer or registered investment adviser. The referral fee arrangement between LTAM and the affiliated solicitor will be disclosed to the client upon entering the SYMBIL website.

Interval Funds: Financial Professionals may offer interval funds through advisory accounts. Interval funds are closed-end funds that allow investors to diversify their portfolios and to invest in alternative products that would normally have limited availability to retail investors. Interval funds are illiquid and repurchase offers are made only on a periodic basis, such as quarterly. During the liquidation event, an investor may be able to redeem only a small portion, or none, of the shares they own. Risks for interval funds can be greater and different than for other investment products. Interval funds are not eligible for discretionary trading. You should carefully read the prospectus for information about the material risks

with these funds and other disclosures before making a decision to invest. The fund prospectus will be available either through your Financial Professional or through the sponsor.

Management fees will be charged in your advisory account based on the value of these investments. Because redemptions and repurchases are limited to specific liquidation periods, you will be able to implement any advice only during the liquidation period. This creates a conflict of interest as the Financial Professional may receive fees for this advice before it can be implemented. KMS monitors and addresses this conflict of interest through ongoing account monitoring.

Fees and Compensation: In the course of providing advisory services to Clients, KMS and your Financial Professional receive advisory fees as described in the relevant advisory contract. LTFS and/or KMS may receive additional compensation as described in Sections 9A2 and 9B3.

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

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

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

In some instances, a Financial Professional may engage in more complex investment strategies involving additional resources, research and/or costs. When such services are provided, the fees may be negotiated higher as follows:

Portfolio Assets Valued at: Annualized Fee

On the first \$100,000	3.00%
On the next \$150,000	2.50%
On the next \$250,000	2.25%
On the next \$500,000	2.00%
On the next \$1,000,000	1.75%
On amounts over \$2,000,000	1.50%

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

Some mutual funds pay 12b-1 fees and some do not. For KMS advisory accounts held at other broker-dealers, KMS does not earn any 12b-1 fees from any funds that pay such fees. For KMS advisory accounts held at Pershing, to the extent a mutual fund pays trails, such revenue will be credited to Pershing. KMS has instructed Pershing to pay such Trails back into the advisory account that generated such revenue.

KMS participates in Pershing's FUNDVEST® no-transaction-fee mutual fund platform, offering Clients certain no-load (and load-waived) mutual funds under a waiver of the standard transaction charge subject to certain restrictions on short term trading. In lieu of transaction-based compensation and in consideration of its cost of providing brokerage services, KMS is eligible to receive revenue based on assets in the FUNDVEST® platform. However, KMS has elected to decline receipt of such FUNDVEST revenue in advisory accounts.

KMS is able to perform due diligence on a limited quantity of mutual fund products. KMS makes available mutual funds which have been approved through a due diligence criteria and is not inclusive of the entire mutual fund universe. Certain mutual funds available through a custodian incur an additional surcharge transaction fee. This surcharge transaction fee in a Wrap Program would be assessed to the Financial Professional which would create a conflict of interest. To eliminate the conflict of interest KMS does not allow purchases of these types of mutual funds in the Wrap Program.

KMS and LTFS may receive marketing allowances and revenue sharing from Partner Program mutual fund companies. These amounts are not shared with the Financial Professional making recommendations or managing the account.

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

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

Service Fees and Transaction-Related Charges: When KMS acts as a broker-dealer for the Program it determines and receives service fees (IRA maintenance fees, wire transfer fees, etc.) and transaction-related charges for executing trades. The services charge revenue KMS receives largely offset its direct and indirect costs of providing such incidental services. The transaction-related charges (confirm and mailing fees) are set to only offset KMS' direct costs from its clearing firm. KMS' receipt of the service charge revenue and the possibility KMS may be able to negotiate its amount or KMS' retention, constitutes a conflict of interest. To monitor and address this conflict of interest, KMS does not incentivize (or disincentive) Financial Professionals who recommend or direct trades because KMS does not share such revenue with them. Additionally, KMS reviews trading activity, comparing it to account investment objectives, trading strategy and overall suitability. KMS discloses these charges annually in the account statements.

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

Fees not included in the advisory fee for the our wrap programs are charges imposed directly by a mutual fund, index fund, or exchange traded fund which are disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

The wrap fee does not include annual account fees or other administrative fees, such as wire fees, charged by the manager or brokerage firm; certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the Client's account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in Client's account. The wrap fee also does not cover certain costs associated with securities transactions in the over-the-counter market, such as fixed income securities where Manager must approach a dealer or market maker to purchase or sell a security. Such costs include the dealer's mark-up, mark-down or spread and odd-lot differentials or transfer taxes imposed by law.

While the wrap fee includes transaction costs for trades executed through Pershing, Schwab, TD Ameritrade or Fidelity, in some instances, those transaction costs will be paid by KMS for advisory services provided through the Investment Consulting Services Program sponsored by LTAM.

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

Affiliated Product Fees (12b-1, Affiliated Products and Principal Transactions): Most KMS Financial Professionals are also securities registered with KMS. KMS may share a portion of payments received from a mutual fund, UIT, CIT, or in connection with an initial public offering, a secondary offering, and/or a private placement with Financial Professionals. KMS and its Financial Professionals may also receive compensation, such as 12b-1 or services fees, in connection with the sale of funds or investments, including the Alternative Strategies Fund, Ladenburg Total Portfolio Series CITs, and Ladenburg High Income Portfolio UIT. Therefore, KMS and its Financial Professionals have an incentive to recommend these securities, which constitutes a conflict of interest. This conflict of interest is heightened when KMS Financial Professionals recommend securities where LTCO acts as underwriter because the Financial Professional typically receives more compensation in connection with these securities than in connection with other types of securities. KMS Financial Professionals may also have a heightened conflict of interest when recommending funds, CITs, and UITs that pay compensation, including the Alternative Strategies Fund, Ladenburg Funds, the Ladenburg Total Portfolio Series (CIT), or Ladenburg Thalmann High Income Portfolio UIT.

- **Fund Management:** The Alternative Strategies Fund pays LTAM a management fee quarterly in arrears which are equal to a maximum of 0.75% per annum of the assets in the fund. For more information, see the fund's prospectus.
- **CIT Management:** The Ladenburg Total Portfolio Series pays LTAM an investment management fee monthly in arrears which is equal to a maximum of 0.30% per annum of the assets in the CITs.
- **Ladenburg Thalmann High Income Portfolio (UIT):** In addition, KMS, as a broker-dealers affiliated with LTAM, and KMS Advisors, will receive a portion of a dealer concession or agency commission in connection with units of the Ladenburg Thalmann High Income Portfolio UIT that they sell, if those units are subject to a sales charge. A higher concession percentage will be received by KMS if certain total sales levels of the UIT are met, as set forth in the UIT prospectus. Although, KMS will not receive a concession on the sale of UIT units to KMS advisory accounts because the sales are not subject to a sales charge, units sold to advisory accounts will count towards these sales levels. Thus, KMS has a conflict of interest in recommending sales of the UIT. For a license to use the Ladenburg name and for providing a list of securities, LTAM receives a licensing fee of 0.10% per annum, which is based on assets raised within Ladenburg Thalmann High Income Portfolio (UIT) during the offering period.
- **Principal Transactions:** Clients may purchase securities through KMS in initial public offerings, and/or secondary offerings ("new issues"). If LTCO acts as an underwriter or manager or as a member of the selling group for such offerings, it will receive compensation equal to either all or a portion of "gross spread" (the difference between the price the Client pays for the security and the price at which LTCO purchased the securities). The advisory fee is not reduced to offset this new issue securities compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

Certain securities, such as over-the-counter stocks and fixed income securities are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer, or "principal." Dealers executing principal trades typically include a "mark-up," "mark-down," and/or spread in the net price at which transactions are executed. When KMS executes a transaction for a security traded in the dealer markets, KMS either will execute the transaction as agent through a dealer unaffiliated with KMS, or as principal in accordance with applicable law. In addition to any applicable commission or transaction fee, the Client will bear the cost (including any mark-up, mark-down, and/or spread) imposed by the dealer as part of the price of the security. Thus, KMS will receive compensation in connection with most principal trades. KMS Financial Professionals have a conflict of interest in using KMS to execute principal transactions because KMS and the Financial Professional will receive compensation in connection with the trade as dealer.

- **Affiliate Broker-Dealer or Advisory Fee Share:** KMS will receive a portion of the fee for supervision and administrative services, if a KMS Financial Professional is providing consulting services through an affiliate Wrap Program. If the broker-dealer for the account is KMS, KMS will also receive a portion of the affiliate Wrap Fee for the execution of transactions and generally pays part of its execution costs imposed by the custodian.

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

KMS participates in Pershing's FUNDVEST® no transaction fee mutual fund platform which offers Clients no-load (and load-waived) mutual funds with a waiver of the standard transaction charge, subject to certain restrictions on short term trading. In lieu of transaction-based commissions, KMS is eligible to receive revenue based on the assets in the FUNDVEST® platform. However, KMS has elected to decline Receipt of such FUNDVEST revenue in advisory accounts.

KMS participates in bank deposit sweep programs, noted in Section 9A2. The receipt of revenue from this program constitutes a conflict of interest. It incentivizes KMS to recommend brokerage accounts through Pershing to obtain this revenue, rather than recommend a custodian based on your interest in receiving the most favorable execution. KMS addresses this conflict by not sharing the revenue it earns from these Sweep Programs with the Financial Professionals who recommend or maintain Pershing accounts, through making alternative advisory custodians available for Financial Professional to recommend and clients to select, by making Pershing Cash available, through regular review of the various custodial options, and through this disclosure to you.

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

Broker dealers affiliated with LTFS, such as KMS, receive revenue sharing from certain partner product sponsors, such as mutual funds and variable annuities (hereinafter "Partner Programs"). Receipt of such revenue constitutes a conflict of interest. KMS addresses this conflict by not sharing the revenue it receives through LTFS Partner Programs with the Financial Professionals who recommend or direct the trading, by monitoring all trading activity and related costs to Clients, and in some cases may reduce transaction charges to clients for accounts held with KMS as the broker-dealer.

Under the Partner Program, Strategic and Distribution Partners pay flat annual fees, basis points on sales on assets, and/or a percentage of their fees. Payments made by the firms participating in the program are not paid or directed to any KMS Financial Professional who utilizes the services of these Program Partners.

Transfer Fee Reimbursements from Custodians: Financial Professionals affiliating with KMS may enter an agreement with KMS and/or a custodian to reimburse fees charged to client accounts to transfer those accounts. The agreement may contain a requirement that the transfers take place within a specific time frame and/or that the total assets in those accounts reach a specific threshold level. The reimbursement of these fees is a conflict of interest because the Financial Professional is incentivized to custody accounts at a specific custodian to meet the asset level threshold or time frame imposed by the custodian which may not be in the best interests of all the Financial Professional's Clients. KMS mitigates this conflict by reviewing all such agreements before implementation and through this

disclosure to you. We encourage you to discuss this with your Advisor before signing an advisory agreement to determine if the recommended custodian is appropriate given your particular situation.

Schwab Institutional Intelligent Portfolios Program Fees: As described in *Item 4 Service, Fees and Compensation*, clients do not pay fees to STP or brokerage commissions or other fees to CS&Co as part of the Program. Schwab does receive other revenues in connection with the Program, as described below in *Item 9A2 (Other Financial Industry Activities and Affiliations)*. KMS charges an annualized fee as set forth in the Asset Management Agreement that is billed when the account is funded and continues every calendar quarter thereafter.

Partner Program

Broker dealers affiliated with LTFS, such as KMS, receive revenue sharing from certain strategic partner product sponsors, such as mutual funds and variable annuities (hereinafter “Partner Programs”). Receipt of such revenue constitutes a conflict of interest. KMS addresses this conflict by not sharing the revenue it receives through LTFS Partner Programs with the Financial Professionals who recommend or direct the trading, by monitoring all trading activity and related costs to Clients, and in some cases may reduce transaction charges to clients for accounts held with KMS as the broker-dealer.

Under the Partner Program, Strategic and Distribution Partners pay a flat annual fees, basis points on sales on assets, and/or a percentage of their fees. Payments made by the firms participating in the program are not paid or directed to any KMS Financial Professional who utilizes the services of these Program Partners.

For more information and a current and complete list of sponsors participating in the Partners Program, please go to the KMS website at kms.com, click on the ‘KMS for Clients’ tab and then ‘Fees and Commissions,’ and the ‘Compensation and Reimbursement of Expenses to Ladenburg Thalmann and Representatives or link to <https://welcome.kms.com/articles/compensation>, or contact your Financial Professional.

Item 5 – Account Requirements and Types of Clients

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

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

Eligibility for the Schwab program includes clients who are individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974 are not eligible for the Program. KMS requires a minimum investment of \$5,000 to open an account in this Program. In

addition, the Program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax loss harvesting.

Item 6 – Portfolio Manager Selection and Evaluation

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

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

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

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

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

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

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

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

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

The Schwab Institutional Intelligent Portfolios are subject to various risks, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. When electing to use the Program, neither you nor your Financial Professional maintain the ability to buy or sell individual securities within the portfolio, or closely control the timing of purchases or liquidations. Instead, the program relies upon systematic rebalancing and models for ongoing management. Please elect a different platform if you or your Financial Professional have a specific need to control purchases and sales of individual securities.

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

Asset Allocation/Strategy/Diversification Risks: Asset classes may perform differently from each other over the short and long term. Depending on the asset allocation, differing performance may result in more portfolio concentration in certain asset classes which could reduce overall return if some assets underperform the Financial Professional's expectation.

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

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

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

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

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

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

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

The Schwab Institutional Intelligent Portfolios are subject to various risks, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. When electing to use the Program, neither you nor your Financial Professional maintain the ability to buy or sell individual securities within the portfolio, or closely control the timing of purchases or liquidations. Instead, the program relies upon systematic rebalancing and models for ongoing management. Please elect a different platform if you or your Financial Professional have a specific need to control purchases and sales of individual securities.

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

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

Unless Clients contract to have their Financial Professional vote proxies on their behalf, they retain the right to vote those proxies; most KMS Financial Professionals do not contract to vote proxies on behalf of their Clients. Clients that are voting their own proxies will receive those directly from the account custodian or a transfer agent. Any Client authorization granted to the Financial Professional to vote proxies must be on the applicable account application, contract, form or agreement. In such case, the KMS Financial Professional will perform the necessary research regarding each issue, evaluate any costs involved, document the findings, and vote in the clients' best interests. If there are any conflicts of interest, these conflicts will be disclosed to the Client and Client consent will be received prior to the proxy vote being submitted. If the Client would like to direct the proxy vote on a particular issue, the Client should communicate their instructions to the KMS Financial Professional timely, so that the Financial Professional can act upon those instructions. Clients may obtain a copy of the KMS Proxy Voting Policies and also may obtain information as to how proxies were voted on their behalf upon request.

For information on the proxy voting policies for programs sponsored through other registered investment advisors, please refer to the Brochure for each advisor.

Item 7 – Client Information Provided to Portfolio Managers

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

Item 8 – Client Contact with Portfolio Managers

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

Item 9 – Additional Information

Item 9A1 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KMS or the integrity of KMS' management personnel.

As part of an examination in 2013, the SEC reviewed KMS' client disclosures surrounding its No Transaction Fee ("NTF") program and documentation practices around its best execution meetings. On July 19, 2017 the SEC found that prior to March of 2014, KMS had violated Sections 206(2), 206(4), and 207 of the Investment Advisors Act of 1940, and Rule 206(4)-7, by failing to disclose compensation received from its clearing broker-dealer (Pershing) related to the NTF program; that KMS did not conduct sufficient analysis to determine best execution for its clients as a result of reductions in certain transaction charges in 2014 and 2015; and that KMS policies and procedures did not sufficiently address these issues. After the SEC's initial review, in 2014 and 2015, KMS modified its policies and procedures to address the concerns. KMS has also instructed Pershing to discontinue sharing FundVest revenue from the NTF program in its advisory accounts.

To settle this matter, without admitting or denying the SEC's findings, KMS consented to a censure, a cease-and-desist order from committing or causing further violations of these provisions, the payment of disgorgement of \$382,568.64 plus prejudgment interest, and a \$100,000 penalty.

Item 9A2 – Other Financial Industry Activities and Affiliations

Overview

This section contains information about our financial industry activities and affiliations. We provide information about the material relationships and arrangements we have with any related persons, including broker/dealers and investment advisors. We identify if any of these relationships or arrangements create a material conflict of interest with clients and discuss how we address these conflicts. "Related persons" are defined as entities that we control or control us or are under common control with us.

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

KMS is a wholly owned subsidiary of Advisor Group Holdings, Inc. (AGHI), which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P. an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes, RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and the Berliniski Family 2016 Trust...

Other Affiliated Broker-Dealers and Investment Advisors

KMS has the following affiliates, which are wholly-owned subsidiaries of Advisor Group Holdings, Inc.

Ladenburg Thalmann Financial Services, Inc. (LTFS) Holding Company	100% owned by AGHI
Securities America Financial Corporation (SAFC) Holding Company	100% owned by AGHI
Securities America, Inc. (SAI) Broker/Dealer	100% owned by SAFC
Arbor Point Advisors, LLC (APA) Registered Investment Advisor	Majority owner SAFC
Ladenburg Thalmann Asset Management, Inc. (LTAM) Registered Investment Advisor	100% owned by AGHI
Ladenburg Thalmann & Co., Inc. (LTCO) Broker/Dealer	100% owned by AGHI
Ladenburg Capital Agency Inc. Insurance Company	100% owned by AGHI
Triad Advisors, LLC Registered Investment Advisor, Broker/Dealer & Insurance	100% owned by AGHI
Triad Hybrid Solutions, LLC Registered Investment Advisor	100% owned by AGHI
Highland Capital Brokerage Insurance Company	100% owned by AGHI
SSN Advisory, Inc. Registered Investment Advisor	100% owned by Securities Service Network, LLC
Premier Trust, Inc. Trust Company	100% owned by AGHI

Securities America Advisors, Inc. (SAA) Registered Investment Advisor	100% owned by SAFC
Securities Services Network, LLC Broker/Dealer	100% owned by AGHI
Valor Insurance Agency, Inc. Insurance Company	100% owned by AGHI

KMS also has related persons, who are under common control of AGHI. KMS' affiliates named above and your Financial Professional cannot conduct or recommend business through these related persons, so these relationships do not create a material conflict of interest. The following chart details the related persons, which are wholly owned subsidiaries of Advisor Group, Inc. (AGI), which is a wholly owned subsidiary of Advisor Group Holdings, Inc.

Advisor Group, Inc. (AGI) Holding Company	100% owned by AGHI
Royal Alliance Associates, Inc. (RAA) Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Financial Service Corporation (FS Corp) Holding Company	100% owned by AGI
FSC Securities, Corporation (FSC) Registered Investment Advisor, Broker/Dealer	100% owned by FS Corp
SagePoint Financial Inc. (SPF) Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Woodbury Financial Services, Inc. (WFS) Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Vision2020 Wealth Management Corp. Registered Investment Advisor	100% owned by AGI

Ladenburg Thalmann Asset Management, Inc. (LTAM). LTAM is an SEC registered investment advisor specializing in investment management, market analysis, due diligence, fund selection, asset allocation and diversification strategies. LTAM sponsored programs and their characteristics are more fully described in its disclosure brochures, which are available to any client or prospective client upon request.

LTAM is among the managers we recommend to our clients. KMS has a conflict of interest in recommending the services of LTAM because KMS and its affiliates earn more total compensation when a client selects an affiliate as a third-party manager than KMS and its affiliates would earn if the client selects an unaffiliated third-party manager. In addition, KMS may execute trades on behalf of Clients who receive advisory services from LTAM. KMS receives compensation for these brokerage services. KMS addresses these conflicts of interest through its policies and procedures that, among other things, require Financial Professionals to make suitable recommendations and to act as a fiduciary to our clients.

KMS may provide forgivable loans to its Financial Professionals. The loans are intended to cover various miscellaneous expenses involved in transitioning business to KMS. The forgiveness is not tied to securities transactions made by Financial Professionals or assets held in advisory accounts with KMS or any other custodian, but does require the Financial Professional to maintain registration with KMS. The receipt of this benefit by the Financial Professional creates a conflict of interest as it creates a financial incentive to maintain the registration with KMS and use accounts approved by KMS. KMS mitigates this conflict through this disclosure to you. We encourage you to discuss this with your Financial Professional before signing an advisory agreement to determine if the Financial Professional has received a forgivable loan and if an advisory relationship is appropriate given the particular situation.

KMS Financial Professionals may also operate companies or offer services independent of KMS. These unaffiliated companies or services may include other investment advisory firms, accounting or tax practices, insurance services, pension consulting services, and legal services, among others. These independent products or services can create conflicts of interest insofar as they create incentives for Financial Professionals to recommend those products or services. KMS routinely reviews these “outside businesses” and also mitigates this conflict through Client disclosure. Clients should discuss these potential conflicts of interests with their Financial Professional to determine if an advisory relationship is appropriate, given their particular situation.

KMS as an RIA has a material conflict of interest in using itself as Broker-Dealer. Please also see Items 4, 9A2 and 9B3.

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

Schwab Program: In addition to KMS’ portfolio management and other services, the Schwab Program includes the brokerage services of CS&Co, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as custodian/broker to enroll in the Schwab Program, the client decides whether to do so and opens its account with CS&Co by entering into an account agreement directly with CS&Co. KMS does not open the account for the client. If the client does not wish to place his or her assets with CS&Co, then KMS cannot manage the client’s account through the Schwab Program. CS&Co may aggregate purchase and sale orders for ETFs across accounts enrolled in this Program, including accounts for both KMS clients and accounts for clients of other independent investment advisory firms using this Program.

With respect to the Schwab Program, as described above under *Item 4 Advisory Business*, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients’ assets in the Schwab Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with CS&Co based on our interest in receiving Schwab’s services that benefit our business rather than based on the client’s interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest and we mitigate this through this disclosure to you. We also believe that our recommendation of CS&Co as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of CS&Co’s services and not Schwab’s services that benefit only us. We have adopted policies and

procedures designed to ensure that our use of Schwab's services is appropriate for each of our clients where we recommend this Program.

Bank Deposit Sweep Programs

Managed accounts custodied with Pershing have two core account investment vehicles that are used for settling securities transactions and holding credit balances. The Bank Deposit Sweep Program ('BDSP') is one such core account investment vehicle and is used for eligible accounts other than advisory individual retirement accounts. The second, the Ladenburg Insured Cash Account Program for Brokerage Retirement Accounts ('LICAP'), is for available free credit balances in eligible advisory individual retirement accounts. Through either the BDSP or LICAP (the 'Sweep Programs' or the 'Sweep Program'), available cash in your account is deposited into interest-bearing deposit accounts at one or more FDIC-insured depository institutions ('Program Banks'). The list of Program Banks and current interest rates for Program deposits are available from your Financial Professional or at https://www.kms.com/clients/bank_deposit_sweep_program.aspx.

If you are eligible for either Sweep Program and you open an account, you authorize KMS to establish the BDSP or LICAP, as appropriate, as your core account investment vehicle. Your Financial Professional can assist you in determining whether your account is eligible for either Sweep Program. If your account is not eligible for either Sweep Program, we can provide you with access to other core account investment vehicles, including money market funds, to hold a cash balance awaiting reinvestment. Different core account investment vehicles can have different rates of return, different terms and conditions, different levels of risk and may or may not offer insurance such as FDIC insurance or SIPC (Securities Investor Protection Corporation) protection. For more information on FDIC insurance, please consult www.FDIC.gov. For information regarding SIPC coverage, see www.sipc.org.

The Sweep Programs create financial benefits for our firm and our affiliates and for Pershing. Our firm will receive a fee from each Program Bank in connection with the respective Programs, based on the value of the cash in the program. We will also pay a fee to Pershing. Our fee will reduce the amount of interest that clients receive in connection with cash held in their accounts and is in addition to the advisory fee that we receive with respect to the assets in the Sweep Program.

These financial benefits create a conflict of interest and an incentive for us to recommend that clients hold cash in the Sweep Program in circumstances where we earn more money from recommending you maintain a Pershing account instead of an account with a different custodian or non-brokerage option. We mitigate this conflict through this disclosure to you, through making available other custodial options, and by not sharing the associated revenue from the Programs with the Financial Professionals who recommend Pershing brokerage accounts.

If you do not wish to use the applicable core account sweep vehicle, we will not be able to maintain your account. You are not obligated to use any of our managed accounts and can select a managed account at another broker-dealer where similar programs may not exist. However, you would lose the benefit of having your account managed by your Financial Professional and KMS.

The revenue generated by us can be greater than the revenues generated by sweep options at other brokerage firms and can be greater than other core account investment vehicles currently available to you or possible core account investment vehicles we have used in the past or may consider using in the future.

For more information, see the disclosure document available through a Financial Professional or at: https://www.kms.com/clients/bank_deposit_sweep_program.aspx

The maximum amount of FDIC insurance coverage for your combined deposits in either Sweep Program is up to \$1.5 million (for an individual account) or up to \$3 million (for a joint account), subject to the total amount on deposit in an account, applicable FDIC rules and Bank availability. Funds deposited through the Sweep Programs are not eligible for SIPC coverage. Any deposits you maintain in the same insurable capacity, outside of the Sweep Programs but with a Sweep Program Bank, are aggregated with your Sweep Program deposits for purposes of determining the maximum applicable FDIC deposit insurance. Withdrawals from your Sweep Program deposits will normally be made on the business day the funds are required for transactions in your Brokerage Account. However, as required by federal banking regulations, each Sweep Program Bank has reserved the right to require seven (7) calendar days prior notice before permitting a withdrawal on any Sweep Program Deposits. You are responsible for monitoring the total amount of your deposits with each Sweep Program Bank to determine the extent of FDIC deposit insurance coverage available to you. If you are eligible to participate in the Sweep Program, you can expect to receive the appropriate Sweep Program disclosure document when you establish your account, which you should review carefully.

The BDSP interest rate payable to you is based on the amounts paid by the Program Banks to us less a fee retained by us. The retained fee for the BDSP may be up to 3% on an annualized basis as applied across all deposit accounts and will reduce the interest paid to your account. The fee received from Program Banks may be modified. If it exceeds 3% we will notify you of this change.

For cash held in the ICAP, a level administrative fee is applied each month to advisory IRAs for administrative services performed in operating the program. The level account fee is predetermined by formula, as stated in the ICAP Disclosure Document, and we cannot earn income in excess of the stated level account fee (currently \$23). The aggregate interest generated by banks participating in the ICAP is used to pay the level account fee for each individual client and to pay any third-party vendor fees. All interest left over after these payments is then credited to client accounts in the Program. A detailed explanation of the method for calculating interest and fees is available in the ICAP Disclosure Document, which is available from your Financial Professional or on the KMS website at https://www.kms.com/clients/bank_deposit_sweep_program.aspx.

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

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

In summary, KMS' Code of Ethics requires Financial Professionals to:

- (1) follow ethical standards of conduct, which includes providing investment advice that is consistent with your stated investment objectives, financial needs and circumstances;
- (2) safeguard your confidential information;
- (3) not engage in fraudulent, deceptive or manipulative conduct;

- (4) not recommend a securities transaction without disclosing significant conflicts of interests;
- (5) comply with certain trading policies on Personal Securities Transactions, which, in general: (a) prohibit a Financial Professional from trading a security before a Client; and (b) prohibit a Financial Professional from opening or having a personal securities trading account without prior written KMS approval;
- (6) not act on or distribute material, nonpublic information; and
- (7) not participate in an initial public offering or private placement without KMS' prior written approval.

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

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

Item 9B2 – Review of Accounts

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

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

Item 9B3 – Client Referrals and Other Compensation

Client Referrals: KMS has referral arrangements with financial institutions, such as banks or credit unions, under which they provide certain KMS Financial Professionals with referrals to potential Clients in exchange for a portion of the investment advisory fees and/or commissions KMS may earn from that potential Client. All investment recommendations and advice are provided by the KMS Financial Professional who will secure from each Client a written acknowledgement that the Client understands the respective roles of KMS and the financial institution.

Other Compensation for Non-advisory Business: In addition, the Financial Professional may also recommend that a Client buy (or sell) a security or insurance product outside the context of the advisory account(s). If a Client decides to buy or sell a security or insurance product, KMS and the Financial

Professional may be paid a commission (including mark-up or mark-down) on those transactions. In these circumstances KMS and the Financial Professional have a financial interest in the transaction which constitutes a conflict of interest. Generally, the Financial Professional will disclose the amount of compensation at the time a recommendation is made by delivering the relevant prospectus or the equivalent. Clients are under no obligation to purchase securities or insurance products through KMS or the Financial Professional.

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

KMS may also recommend that Clients invest in securities issued in an initial public and/or secondary offerings (“new issues”) for which LTCO acts as a manager, underwriter and/or a member of the selling group. KMS has a conflict of interest in recommending these securities for several reasons. First, KMS receives all or a portion of the gross spread – the difference between the price that the Client pays for the security and the price that KMS purchases the security for -- in connection with such sales. This gross spread is generally 7%, but may be higher or lower in connection with certain offerings. KMS Financial Professionals generally receive a portion of this compensation as broker-dealer representatives of KMS. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring that the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of its affiliation with LTCO, KMS has incentives to recommend these investments in these offerings for these reasons, rather than based on a Client’s needs. To address these conflicts, KMS has policies and procedures in place to make sure that securities in initial public offerings are recommended only to Clients for whom they are suitable given the Client’s investment objectives and assets. In addition, Clients are generally given transaction specific disclosure prior to the Client’s decision to invest in such securities. Securities acquired in initial public and secondary offerings may be oversubscribed and KMS has policies and procedures in place for the allocation process.

KMS Financial Professionals may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs. KMS will receive 10% of the trust and administration fees clients pay to Premier Trust for trust administration services. Receipt of this revenue by KMS constitutes a conflict of interest. This conflict is mitigated by the fact that KMS does not share these fees with the Investment Professional who recommends the use of Premier Trust. Clients are not obligated to use Premier Trust for trust administration services.

Financial Professionals may also engage in other businesses outside of KMS and recommend that a Client purchase such a product or service outside of the context of the advisory account(s) (“Recommendations”). Such activities are disclosed to Clients via the Financial Professional’s 2B

Brochure Supplement. To the extent those Recommendations create compensation for a Financial Professional and involve using funds from the advisory account(s), the Financial Professional would have a financial interest in the transaction that may constitute a conflict of interest. KMS does not share in this compensation. KMS encourages Clients to discuss this possible conflict with their Financial Professional before accepting any Recommendations.

Schwab Program: KMS receives an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit KMS, and the related conflicts of interest are described above under *Item 9A2 (Other Financial Industry Activities and Affiliations)*. The availability to KMS of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

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

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

Item 9B4 – Financial Information

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