

**Key Investment Services LLC**  
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March 28, 2022

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

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

**This wrap fee program brochure provides information about the qualification and business practices of Key Investment Services LLC (“KIS”). If you have any questions about the contents of this brochure, please contact us at 1-888-547-2968. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about KIS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). KIS is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.**

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

You can contact Pershing at the following address:

Pershing LLC  
One Pershing Plaza  
Jersey City, New Jersey 07399

Investment products are offered through KIS, member FINRA/SIPC, and carried by Pershing LLC, member FINRA/SIPC. Insurance products are offered through KeyCorp Insurance Agency USA Inc. (“KIA”). KIS and KIA are affiliated with KeyBank National Association (“KeyBank”). KIS, KIA and KeyBank are separate entities, and when you buy or sell securities and insurance products you are doing business with KIS and/or KIA, and not KeyBank, unless you are purchasing the Key Select Portfolios made available by KeyBank through KIS.

Investment and insurance products, including Key Select Portfolios, made available through KIS and KIA are:

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

The following material changes pertinent to the provision of Key Investment Services LLC's ("KIS's") investment advisory services have occurred since the date of the previous annual update of its brochure on February 22, 2021.

1. Effective March 31, 2021, KIS ceased offering the Natixis Program to new Client accounts. Existing Client accounts invested in these Programs may maintain and make additional investments in these Programs.
2. Effective September 15, 2021, in light of the discontinuance of certain programs, descriptions for the following Programs were removed from this brochure:
  - a. the EMA Program on the Envestnet platform;
  - b. the JP Morgan Program I;
  - c. the JP Morgan Program II;
  - d. the KMA Program;
  - e. the WisdomTree Program, and
  - f. a portion of the Russell Program I consisting of the five (5) core strategic asset allocation models.
3. Effective October 15, 2021, KIS began offering a Unified Managed Account ("UMA") Program through its relationship with Lockwood Advisors, Inc. ("Lockwood"). Please see Item 4(7) for further information concerning the program.
4. Effective October 15, 2021, KIS began offering the Vanguard CORE Portfolios Program ("Vanguard Program II") on the Lockwood platform. The Vanguard Program II is open only to Clients who previously maintained accounts in the former Key Digital Portfolio Advisor<sup>SM</sup> Program. These Clients were eligible to open accounts in the Vanguard Program II, and they may maintain and make additional investments in their Vanguard Program II accounts. The Vanguard Program II is otherwise closed to other new accounts. Please see Item 4(4)(d) for further information.

As a result of the opening of Vanguard Program II, the previously titled and referenced Vanguard Strategic Models Portfolio ("Vanguard Program") in this brochure was re-titled and is now referenced herein as the Vanguard CSRP Strategic Models Portfolio ("Vanguard Program I").

5. Effective October 15, 2021, the Key Digital Portfolio Advisor<sup>SM</sup> Program was closed, concurrent with the launch of the Vanguard II Program.
6. Effective April 1, 2022 the KIS Investment Advisory Sub-Committee of the Product Due Diligence Committee will change its ongoing due diligence process of the SMA Investment Managers from Lockwood-produced scorecards to semi-annual meetings between the Investment Advisory Sub-Committee and Lockwood. Please see Item 5 for further information.
7. Item 9 (5) has been updated to reflect the following: Your financial professional may act as a finder for KeyBank products including trust and private banking, and may recommend that you open an investment or trust account with KeyBank. If you have an account at KIS, you are referred to KeyBank and you decide to move your account to KeyBank your financial professional will receive a payment of 90 basis points (.0090 times the value of the account moved). KeyBank referrals can add up to 2 percent to the percentage your financial professional is paid on their production grid. These payments present a conflict of interest because they create an incentive for KIS and your financial professional to refer you to KeyBank for investments that entail such payments rather than investments that do not

entail these payments or entail less of these payments. Additionally, investments with an affiliate such as KeyBank benefit the affiliate, KIS and their parent financial holding company more than non-affiliate investments. This may induce the financial professional to refer you to invest with an affiliate over investing with others which creates a conflict of interest.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Summary of Material Changes .....	2
Item 3: Table of Contents .....	4
Item 4: Services, Fees and Compensation .....	6
(1) Lockwood Investment Strategies (“LIS Program”) .....	6
(2) Lockwood AdvisorFlex Portfolios (“AFP Program”).....	7
(3) Lockwood WealthStart Program (“WealthStart Program”).....	9
(4) Model Strategies Programs (“Model Strategies”).....	10
(a) Russell Model Strategies Program (“Russell Program I”) .....	12
(b) Russell Hybrid Model Strategies Program (“Russell Program II”) .....	12
(c) Vanguard CRSP Strategic Model Portfolios (“Vanguard Program I”) .....	12
(d) Vanguard CORE Model Portfolios (“Vanguard Program II”).....	13
(e) BlackRock Target Income Portfolios (“BlackRock Program I”) .....	15
(f) BlackRock Long-Horizon ETF Portfolio Strategies (“BlackRock Program II”) .....	15
(g) BlackRock Target Allocation ETF Models (“BlackRock Program III”) .....	15
(h) Calvert Responsible Model Portfolios (“Calvert Program”).....	15
(i) Natixis Risk-Efficient Portfolios (“Natixis Program”) .....	16
(j) Loring Ward DFA Global Portfolio Series (“Loring Ward Program”) .....	16
(k) Key Select Portfolio (“Key Program”).....	17
(l) Efficient Market Advisors Model Strategies Program (“EMA Program”).....	18
(5) Separately Managed Account Program (“SMA Program”) .....	18
(6) Lockwood/American Funds Core Portfolios (“Lockwood American Funds Program”)...	20
(7) Unified Managed Account Program (“UMA Program”).....	22
Minimum Fee.....	23
Fees Not Included in Program Fees .....	24
KIS Program Services .....	24
Other Fees and Compensation Received by KIS from Third Parties .....	27
Item 5: Account Requirements and Types of Clients .....	28
Item 6: Portfolio Manager Selection and Evaluation.....	28
Item 7: Client Information Provided to Portfolio Managers.....	32
Item 8: Client Contact with Portfolio Managers.....	33
Item 9: Additional Information.....	33
(1) Disciplinary Information .....	33

(2) Other Financial Industry Activities and Affiliations.....	34
(3) Code of Ethics .....	34
(4) Review of Accounts .....	36
(5) Client Referrals and Other Compensation .....	36
(6) Financial Information.....	37

## Item 4: Services, Fees and Compensation

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

NOTE: In addition to the Programs discussed in detail below:

KIS offers financial planning services as part of its investment advisory services. KIS provides those services using one or more computer software programs, including but not limited to, MoneyGuidePro™ which is a product of PIETech, Inc., a subsidiary of Envestnet, Inc., For further information, please see KIS’s Form ADV Part 2A Financial Planning brochure.

Current Advisory Products (other than financial planning services) offered by KIS through its Wrap Programs include:

### **(1) Lockwood Investment Strategies (“LIS Program”)**

**NOTE: Effective March 31, 2020, KIS ceased offering the LIS Program to new Client accounts. Existing Client accounts invested in the LIS Program may maintain and make additional investments in this Program.**

KIS offers the LIS Program on a non-discretionary basis to its clients through its relationship with Lockwood Advisors, Inc. (“Lockwood”). Lockwood is an SEC-registered investment advisory firm that specializes in processing and administering individually managed accounts and in providing managed account services and technologies to, among others, sponsors of wrap account programs. Lockwood serves as the investment manager of the LIS Program and acts as a third-party service provider to KIS. The LIS Program is sponsored by KIS.

The LIS Program is a discretionary, multi-discipline managed account product housed in a single portfolio with five (5) core models in which a Client may invest either depending on how the Client scores on an investment profile questionnaire or at the Client’s direction. The five (5) core models span the risk/return spectrum from current income model to growth model within the context of a diversified portfolio. Clients may also choose from four (4) additional models which include exposure to non-traditional asset classes, as described more fully in Lockwood’s Form ADV Part 2A (collectively, the five (5) core and four (4) additional models are the “LIS Models”). KIS will continue to support those Client investments in the LIS Program established prior to March 31, 2020 and to allow additional investments by those accounts which will continue to be administered as set forth below.

Lockwood, serving as a discretionary portfolio manager, determines asset allocation and selects the underlying investment managers (“Investment Managers”) and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as Lockwood’s macroeconomic outlook and investment discipline. KIS does not exercise investment discretion in the Client’s selection of the Investment Managers or in the asset allocation in the underlying investment vehicles and strategies used

in a Client's account. KIS financial professionals, utilizing an investment profile questionnaire, provide Clients with non-discretionary, non-binding recommendations regarding such asset allocation and underlying investment vehicles and strategies to meet Clients' investment objectives, but Clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Lockwood has full discretionary authority to invest, reinvest and otherwise deal with assets in LIS Program Client accounts in its discretion within the model selected by the Client. Lockwood may, when it deems appropriate and without prior consultation with Clients or KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace Investment Managers and underlying investment vehicles if, for example, Lockwood deems such Investment Manager or investment vehicle to be underperforming. Lockwood also provides overlay management services for the Client's LIS Program account and implements trade orders based on the investment strategies contained in LIS Program portfolios.

KIS's current program fee schedule for the LIS Program is based on the make-up of the account and is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>	
	<u>&gt;50% Equities</u>	<u>&gt;50% Fixed Income</u>
\$0 – \$500,000	3.00%	2.50%
\$500,001 – \$1,000,000	2.50%	2.00%
\$1,000,001- \$2,500,000	2.00%	1.50%
\$2,500,001+	1.50%	1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee as follows:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.75%
\$500,001 - \$1,000,000	0.55%
\$1,000,001 - \$5,000,000	0.40%
\$5,000,001 - \$10,000,000	0.35%
\$10,000,001+	0.30%

Fees for the LIS Program are negotiable in KIS's sole and absolute discretion.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

## **(2) Lockwood AdvisorFlex Portfolios ("AFP Program")**

Lockwood is the Money Manager in the AFP Program and acts as a third-party service provider to KIS. The AFP Program is a series of model portfolios diversified at the asset class level and among different security types in which a Client may invest depending on either how the Client scores on an investment profile questionnaire or at the Client's direction. Clients may choose from sixteen (16) models ("AFP Models") spanning the risk/return spectrum from income to capital appreciation.

Lockwood reviews and approves the allocations and investment selections to be included in the AFP Program portfolios. In addition, Lockwood periodically reviews the asset allocation strategies and investment selections within the AFP Program model portfolios seeking to ensure that the portfolios continue to adhere to their respective investment objectives. Within each AFP Program model, Lockwood identifies several investment vehicle options from which Clients may choose. KIS does not exercise investment discretion in the selection of the asset allocation or the universe of specific underlying

investment vehicles and strategies used in a Client's account. KIS financial professionals, utilizing an investment profile questionnaire, provide Clients with recommendations regarding such asset allocation and underlying investment vehicles and strategies to meet Clients' investment objectives, but Clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Lockwood has discretionary authority to invest, reinvest and otherwise deal with assets in AFP Program Client accounts in its discretion within the model selected by the Client, subject to the Client's decision to select alternate investment vehicle selections. Lockwood may, when it deems appropriate and without prior consultation with Clients or KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace underlying mutual funds and exchange-traded funds ("ETFs") in a model if, for example, Lockwood deems such mutual fund or ETF to be underperforming.

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

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
\$1,000,001+	1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$72.50 in the event the money manager fee would total less than \$72.50 based on the schedule:

When KIS's Program assets under management with Lockwood are \$0 - \$3,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.20%
\$500,001 - \$1,000,000	0.17%
\$1,000,001+	0.15%

- This does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(2) below.

When KIS's Program assets under management with Lockwood are \$3,000,000,001 - \$5,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.17%
\$500,001 - \$1,000,000	0.14%
\$1,000,001+	0.13%

- This change does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(2) below.
- The \$72.50 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$70.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00.
- This Money Manager Fee schedule and the \$70.00 fee is in effect currently.

Fees for the AFP Program are negotiable in KIS's sole and absolute discretion.



*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

### **(3) Lockwood WealthStart Program (“WealthStart Program”)**

KIS offers the WealthStart Program on a non-discretionary basis to its clients through its relationship with Lockwood which serves as the discretionary money manager for the WealthStart Program. The WealthStart Program is based on strategic asset allocation models (“Models”) developed by Lockwood and are comprised of mutual funds and/or ETFs (“Funds”) selected by Lockwood for each such Model. Currently, KIS offers six (6) Models which provide broad-market stock and investment-grade bond exposure in a range of stock/bond allocations, from 97% fixed income to 100% equity. Lockwood provides discretionary management for Clients’ accounts and implements trade orders based on asset allocation changes that Lockwood, in its sole discretion, determines to be appropriate.

Prior to investing in the WealthStart Program, Clients complete an investment profile questionnaire which is intended to guide them in the selection of the appropriate Model. The output from the questionnaire is a risk score, which assists the KIS financial professional in advising the Client on a non-discretionary basis which Model best suits the Client’s risk tolerance. Clients make the final determinations as to which Model, if any, into which they choose to invest, their overall investment strategy, and any profile changes in their accounts. The financial professional may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Model recommended to the Client describing the underlying Fund investments, as well as the overall asset and style allocation of the Model.

Neither KIS nor Lockwood exercise investment discretion in the Client’s selection of the Model. KIS does not exercise investment discretion concerning the Funds or the underlying investment strategies comprising the Model. Lockwood retains discretion over the implementation of asset allocation changes within each of the Client’s chosen Models and may implement asset allocation changes differently with respect to individual Client accounts. Other services offered in connection with the WealthStart Program include but are not limited to: periodic rebalancing of the Client’s securities positions with the chosen Model by Lockwood to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

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

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001+	1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$72.50 in the event the money manager fee would total less than \$72.50 based on the schedule:

When KIS’s Program assets under management with Lockwood are \$0 - \$3,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.20%
\$500,001 - \$1,000,000	0.17%
\$1,000,001+	0.15%

- This does not affect fees including the Minimum Fee applicable to the Client’s account and which the Client may pay. Please see the “NOTE” in this Item 4(3) below.

When KIS's Program assets under management with Lockwood are \$3,000,000,001 - \$5,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.17%
\$500,001 - \$1,000,000	0.14%
\$1,000,001+	0.13%

- This change does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(3) below.
- The \$72.50 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$70.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00.
- This Money Manager Fee schedule and the \$70.00 fee is in effect currently.

Fees for the WealthStart Program are negotiable in KIS's sole and absolute discretion.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

#### **(4) Model Strategies Programs ("Model Strategies")**

KIS offers the following Model Strategies where Lockwood serves as the discretionary money manager. Each Model Strategy has a third-party model strategist which advises Lockwood on the structure and rebalancing of that Model Strategy's particular models. The Model Strategies are as follows:

**The following terms are applicable to all Model Strategies, except the Vanguard CORE Model Portfolios.**

KIS offers the following Model Strategies on a non-discretionary basis to its Clients through its relationship with Lockwood.

Prior to investing in a strategic asset allocation models developed by a third-party model strategist ("Model"), Clients complete an investment profile questionnaire which is intended to guide them in the selection of the appropriate Model. The output from the questionnaire is a risk score, which assists the KIS financial professional in advising the Client on a non-discretionary basis which Model best suits the Client's risk tolerance and investment objectives. Clients select a Model that is appropriate for the investment circumstances Clients set forth in the investment profile questionnaire. Clients make the final determinations as to which Model, if any, into which they choose to invest, their overall investment strategy, and any profile changes in their accounts. The financial professional may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio in the Model recommended to the Client and describes the underlying investments in that particular Model, as well as the overall asset and style allocation of the Model. The Client is ultimately responsible for the selection of the appropriate Model.

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

The third-party model strategist does not exercise investment discretion with respect to the management of individual Client accounts. Rather, the third-party model strategist constructs the Models, determines the specific investments that comprise the Models, and from time-to-time, and without notice to or approval

from Clients or KIS, advises Lockwood regarding adjustments to the Models' asset allocations and/or underlying investments.

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Client's chosen Model and may implement asset allocation changes differently with respect to individual Client accounts than the asset allocation changes advised by the third-party model strategist to Lockwood. Other services offered in connection with the Model Strategies include but are not limited to: periodic rebalancing of the Client's securities positions within the Client's chosen Model by Lockwood to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS's current program fee for the Model Strategies, with the exception of Vanguard Program II, are as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001+	1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$72.50 in the event the money manager fee would total less than \$72.50 based on the schedule:

When KIS's Program assets under management with Lockwood are \$0 - \$3,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.16%
\$500,001 - \$1,000,000	0.13%
\$1,000,001+	0.10%

- This does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" below.

When KIS's Program assets under management with Lockwood are \$3,000,000,001 - \$5,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.14%
\$500,001 - \$1,000,000	0.11%
\$1,000,001+	0.9%

- This change does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" below.
- The \$72.50 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$70.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00.
- This Money Manager Fee schedule and the \$70.00 fee is in effect currently.

Fees for the Model Strategies are negotiable in KIS's sole and absolute discretion.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

### ***(a) Russell Model Strategies Program (“Russell Program I”)***

**NOTE: Effective March 31, 2021, KIS ceased offering the five (5) core Russell Models to new Client accounts. Existing Client accounts invested in these Models may maintain and make additional investments in this Program. KIS will continue to offer the five (5) tax-managed Russell Models to new and existing Client accounts.**

The Russell Program I offers actively-managed portfolios comprised exclusively of Russell mutual funds.

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

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

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

### ***(b) Russell Hybrid Model Strategies Program (“Russell Program II”)***

**NOTE: Effective March 31, 2020, KIS ceased offering the Russell Program II to new Client accounts. Existing Client accounts invested in the Russell Program II may maintain and make additional investments in this Program.**

The Russell Program II is based on Russell Models developed by RIMCo as a third-party model strategist and are comprised of Russell Funds or exchange traded funds selected by RIMCo for a particular Russell Model. RIMCo makes the Russell Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Russell Program II accounts and implements trade orders based on asset allocation changes communicated to it by RIMCo.

The Russell Program II provides seven (7) core Russell Models, comprised of exchange traded funds as well as Russell mutual funds, which span the risk/return spectrum from a current income Russell Model to a growth Russell Model within the overall context of a diversified portfolio. The Russell Models vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as defensive, dynamic, growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives.

### ***(c) Vanguard CRSP Strategic Model Portfolios (“Vanguard Program I”)***

Vanguard Advisers, Inc. (“VAI”) is a SEC registered investment adviser that produces model portfolios comprised of Vanguard mutual funds or Vanguard ETFs (“Vanguard Funds”). The Vanguard Program I is

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

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

#### ***(d) Vanguard CORE Model Portfolios (“Vanguard Program II”)***

**NOTE: Effective October 15, 2021, KIS offers the Vanguard CORE Portfolios Program (“Vanguard Program II”) on the Lockwood platform. The Vanguard Program II is open only to Clients who previously maintained accounts in the Key Digital Portfolio Advisor Program (the “Key Digital Program”), which closed on October 15, 2021. These Clients were eligible to open accounts in the Vanguard Program II, and they may maintain and make additional investments in their Vanguard Program II accounts. The Vanguard Program II is otherwise closed to other new accounts.**

KIS offers the Vanguard Program II through its relationship with Lockwood. Vanguard Advisers, Inc. (“VAI”) is a SEC registered investment adviser that produces model portfolios comprised of Vanguard mutual funds or Vanguard ETFs (“Vanguard Funds”). The Vanguard Program II is based on strategic asset allocation models (“Vanguard CORE Models”) developed by VAI as a third-party model strategist and are comprised of Vanguard Funds selected by VAI for a particular Vanguard CORE Model. VAI makes the Vanguard CORE Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Vanguard Program II accounts and implements trade orders based on asset allocation changes communicated to Lockwood by VAI.

Currently, KIS offers the Vanguard ETF Strategic Model Portfolio Center for Research in Security Prices (CORE) Series which provides six (6) Vanguard Models holding two to four (2-4) Vanguard Funds per model (the “Vanguard CORE Models”). The Vanguard CORE Models include equity and investment-grade fixed income exposure and indexed investments. They are tax efficient and span the risk return spectrum from a current income Vanguard CORE Model to growth Vanguard CORE Model within the overall context of a diversified portfolio.

In the Vanguard Program II, a KIS financial professional will be assigned to a Client’s account to advise Client on a non-discretionary basis. Clients will maintain for their Vanguard Program II accounts the same account paperwork they completed for their former Key Digital Program Account, including the investor profile questionnaire. Upon transition of their Accounts to Vanguard Program II, Clients will maintain the same Vanguard CORE Model(s) they selected on a self-directed basis for their former Key Digital Program Accounts. Prior to investing in a Vanguard CORE Model in the former Key Digital Program, Clients completed an investment profile questionnaire which is intended to guide them in the selection of the appropriate Vanguard CORE Model. The output from the questionnaire is a risk score. Clients selected a Vanguard CORE Model that is appropriate for the investment circumstances Clients set forth in the investment profile questionnaire. Based on the questionnaire’s risk score, the Clients make the final determinations as to which Vanguard CORE Model, if any, into which they choose to invest, their overall investment strategy, and any profile changes in their accounts. The financial professional may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio Vanguard CORE Model recommended to the Client and details the underlying Vanguard Fund investments in, as well as the overall asset and style allocation of, the Vanguard CORE Model. The Client is ultimately responsible for the selection of the appropriate Vanguard CORE Model.

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

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

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

KIS's current program fee for the Vanguard Program II is waived.

KIS will pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$72.50 in the event the money manager fee would total less than \$72.50 based on the schedule:

When KIS's Program assets under management with Lockwood are \$0 - \$3,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.16%
\$500,001 - \$1,000,000	0.13%
\$1,000,001+	0.10%

When KIS's Program assets under management with Lockwood are \$3,000,000,001 - \$5,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.14%
\$500,001 - \$1,000,000	0.11%
\$1,000,001+	0.9%

- The \$72.50 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$70.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00.
- This Money Manager Fee schedule and the \$70.00 fee is in effect currently.

Fees for the Vanguard Program II are negotiable in KIS's sole and absolute discretion.

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



***(e) BlackRock Target Income Portfolios (“BlackRock Program I”)***

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

Currently KIS offers the BlackRock Program I which provides four (4) BlackRock Program I Models, comprised exclusively of BlackRock mutual funds and ETFs, which span the risk/return spectrum for fixed income BlackRock Program I Models within the overall context of a diversified portfolio. The portfolios in the BlackRock Program I are designed by BIM to help meet clients’ long-term income needs.

***(f) BlackRock Long-Horizon ETF Portfolio Strategies (“BlackRock Program II”)***

**NOTE: Effective June 21, 2019, KIS ceased offering the BlackRock Program II to new Client accounts. Existing Client accounts invested in the BlackRock Program II may maintain and make additional investments in this Program.**

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

The BlackRock Program II is comprised of five (5) BlackRock Program II Models which span the risk/return spectrum for BlackRock Program II Models within the overall context of a diversified portfolio.

***(g) BlackRock Target Allocation ETF Models (“BlackRock Program III”)***

Lockwood serves as the discretionary money manager for the BlackRock Program III.

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

Currently, KIS offers the BlackRock Program III which provides eleven (11) BlackRock Program III Models, comprised exclusively of BlackRock exchange traded funds, which span the risk/return spectrum for BlackRock Program III Models within the overall context of a diversified portfolio. The portfolios in the BlackRock Program III are designed by BIM and seek total return through exposure to a diversified portfolio of equity and fixed income asset classes with varying target allocations.

***(h) Calvert Responsible Model Portfolios (“Calvert Program”)***

Calvert Research and Management (“Calvert”) is a SEC-registered investment adviser that advises the Calvert family of mutual funds (“Calvert Funds”) and offers actively managed (i.e., indexing), and model-only investment advisory services that include a variety of socially responsible equity, fixed-income, and multi-asset strategies. The Calvert Program is based on strategic asset allocation models (“Calvert Models”) developed by Calvert as a third-party model strategist and are comprised of Calvert Funds

selected by Calvert for a particular Calvert Model. Calvert makes the Calvert Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients' Calvert Program accounts and implements trade orders based on asset allocation changes communicated to money manager by Calvert.

Currently, KIS offers three (3) Calvert Models which provide an approach to investment diversification that incorporates environmental, social and governance ("ESG") criteria. Calvert also manages a specialized Client mandate that includes "Terror-Free" criteria. Please read carefully Calvert's Form ADV Part 2A which more fully describes its responsible investment analysis and "Terror-Free" criteria.

#### ***(i) Natixis Risk-Efficient Portfolios ("Natixis Program")***

**NOTE: Effective March 31, 2021, KIS ceased offering the Natixis Program to new Client accounts. Existing Client accounts invested in the Natixis Program may maintain and make additional investments in this Program.**

Natixis Advisors is a SEC-registered investment adviser that provides non-discretionary investment sub-advisory services to other investment advisers by providing asset allocation models and advising the affiliated Natixis family of mutual funds ("Natixis Funds"). The Natixis Program is based on strategic asset allocation models ("Natixis Models") developed by Natixis Advisors as a third-party model strategist and are comprised of mutual funds which may include Natixis Funds and other funds and investment vehicles selected by Natixis Advisors for a particular Natixis Model. Natixis Advisors makes the Natixis Models available to Lockwood for its use in managing individual Client accounts. Lockwood provides discretionary management for Clients' Natixis Program accounts and implements trade orders based on asset allocation changes communicated to Lockwood by Natixis Advisors.

Currently KIS offers the Natixis Program which provides three (3) Natixis Models designed by Natixis Advisors with specific emphasis on the risk-reward characteristics of the underlying investments. The Natixis Advisors models' objective is to explicitly manage risk within a targeted range.

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

#### ***(j) Loring Ward DFA Global Portfolio Series ("Loring Ward Program")***

**NOTE: Effective March 31, 2020, KIS ceased offering the Loring Ward Program to new Client accounts. Existing Client accounts invested in the Loring Ward Program may maintain and make additional investments in this Program.**

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



Currently KIS offers the Loring Ward Program which provides seven (7) Loring Ward Models, comprised exclusively of DFA Funds, are designed with a targeted allocation to international markets as well as significant small cap and value allocations. The portfolios are designed for investors who are comfortable with international investing within the context of diversification and long-term growth.

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

### ***(k) Key Select Portfolio (“Key Program”)***

**NOTE: The Key Program consists of strategic asset allocation models for investing in securities. The Key Program, its models, and their constituent securities are not bank deposits; are not FDIC insured; are not guaranteed by any bank including KeyBank National Association; any Client investing in the Key Program may lose any part or all of the amounts invested; and are not insured by any Federal or State government agency.**

Lockwood serves as the discretionary money manager for the Key Program.

KeyBank National Association (“KeyBank”) is a national bank, and an affiliate of KIS. The Key Program is based on strategic asset allocation models (“Key Models”) developed by KeyBank as a third-party model strategist and are comprised of ETFs selected by KeyBank for a particular Key Model. KeyBank makes the Key Models available to Lockwood for Lockwood’s use in managing individual Client accounts. Lockwood provides discretionary management for Clients’ Key Program accounts and implements trade orders based on asset allocation changes communicated to Lockwood by KeyBank.

**Clients should be aware that KeyBank is an affiliate of KIS. Therefore, KIS’s financial professionals have a conflict of interest in recommending the Key Program over other programs offered as part of KIS’s advisory services. While the financial professional will not be directly compensated more for recommending the Key Program over other investment programs available to Clients, he or she will be aware that accounts in the Key Program benefit KeyBank, KIS and their parent financial holding company more than non-KeyBank sponsored programs offered. This may induce the financial professional to recommend the Key Program over others which creates a conflict of interest. KIS mitigates this conflict by having a supervisory review done of any recommendations to ensure that they are in the Client’s best interests.**

Currently, KIS offers the Key Program which provides eleven (11) Key Models which span the risk/return spectrum for Key Models within the overall context of a diversified portfolio.

Note: KeyBank receives compensation for its services through a shared services agreement between KeyBank and KIS. Such services are priced at a market rate, per federal banking regulations, and are then charged internally against KIS. In addition, KeyBank receives indirect compensation in the form of advisory fees paid to its affiliate, KIS. Client accounts will not be directly charged for these services because they are part of the program fee for the Key Program.

### ***(1) Efficient Market Advisors Model Strategies Program (“EMA Program”)***

**NOTE: Effective October 19, 2020, KIS began offering the EMA Program to new Client accounts on the Lockwood platform, and ceased offering the EMA Program to new Client accounts on the Envestnet platform. Effective March 31, 2021, KIS transitioned all active EMA Program Client accounts on the Envestnet platform to the Lockwood platform. After March 31, 2021, existing Client accounts invested in the EMA Program may maintain and make additional investments in this Program through the Lockwood platform.**

Lockwood serves as discretionary money manager for the EMA Program.

Efficient Market Advisors, a business unit of Cantor Fitzgerald Investment Advisors, L.P., a SEC-registered investment advisor (“EMA”), constructs proprietary investment strategies using ETFs for third party advisers such as Lockwood in which EMA provides the third-party adviser with model portfolios in certain investment styles. The EMA Program is based on strategic asset allocation models (“EMA Model(s)”) developed by EMA as a third-party model strategist and are comprised of ETFs selected by EMA for a particular EMA Model. EMA makes the EMA Models available to Lockwood for Lockwood’s use in managing individual client accounts. Lockwood provides discretionary management for Clients’ EMA Program accounts and implements trade orders based on asset allocation changes communicated to Lockwood by EMA.

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

Note: EMA receives a strategist fee of 0.25% of the assets in the EMA Program. Please see EMA’s and Lockwood’s respective Form ADV Part 2A for further information.

### ***(5) Separately Managed Account Program (“SMA Program”)***

The KIS SMA Program is a separately managed account program. KIS offers the SMA Program on a non-discretionary basis to its Clients through its relationship with Lockwood. Lockwood serves as the third-party service provider to KIS for the SMA Program.

The SMA Program is designed to offer Clients third party investment manager (“Investment Manager”) selection, consulting, brokerage, portfolio supervision and consolidated reporting in return for a “wrap” fee. Prior to investing in the SMA Program, Clients complete a KIS provided investment profile questionnaire which is intended to guide them in the selection of the appropriate Investment Manager. The output from the questionnaire is a risk score, which assists the KIS financial professional in recommending an Investment Manager(s) to manage discretionary trading in the Client’s account consistent with the Client’s risk tolerance and investment objectives. The Client makes the final determination as to the overall investment strategy, Investment Manager(s), and profile changes which will be applicable to their account(s).

Lockwood, as a third-party service provider to KIS, evaluates Investment Managers and provides a list of prequalified Investment Managers (“Covered Managers”) for participation in the SMA Program as determined by KIS, from which Clients may choose for their SMA Program account. In order to provide the list of Covered Managers, Lockwood may work with the Manager Research Group of its affiliate, The Bank of New York Mellon Corporation (“BNY Mellon”), to review and research Investment Managers. Lockwood conducts an initial review of all Investment Managers available in the SMA Program and regularly monitors the participating Investment Managers for continued qualifications and performance. Lockwood makes available its reviews and research to KIS through semi-annual presentations to the

Investment Advisory Sub-Committee of the Product Due Diligence Committee to assist in KIS's ongoing due diligence process of the Investment Managers. Lockwood retains authority regarding the inclusion or removal of Covered Managers and investment vehicles approved to participate on the SMA Program platform, from which Clients may select an Investment Manager for their accounts. However, Lockwood as such third-party service provider to KIS, does not provide investment advice to Clients. Rather, Lockwood is providing its proprietary research to KIS for KIS's use in determining which Investment Managers are to be included in the SMA Program, and Lockwood does not serve as an investment adviser or discretionary money manager to those Clients who invest in the SMA Program.

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

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

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule:

<u>KIS's Program assets under management with Lockwood</u>	<u>Money Manager Fee</u>
\$0 - \$3,000,000,000	0.20%
\$3,000,000,001 - \$5,000,000,000	0.17%

- This does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(5) below.
- The 0.17% Money Manager Fee is in effect currently.

From the program fee, KIS will also pay or cause to be paid the Investment Manager's fee, which will vary, as well as charges assessed by various providers of services, such as by the clearing broker, to Client's account. Please read carefully the Investment Manager's Form ADV Part 2A for further information. Please also read the KIS Standard Advisory Contract and Client Agreement for further information with respect to fees and other costs or charges.

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

Each Investment Manager in the SMA Program may, and generally will, as they deem appropriate in their discretion, place trades through brokers other than Pershing. As disclosed below, commissions, mark-ups

or mark-downs, or similar costs and charges associated with the execution of such trades will be deducted from a Client's allocable assets and may reduce the Client's overall return. All Investment Managers are required to have best execution policies and procedures, and KIS will review the respective Investment Manager's best execution policies, procedures and practices. Please read carefully the Investment Manager's Form ADV Part 2A brochure concerning its best execution policies and practices.

Fees for the SMA Program are negotiable in KIS's sole and absolute discretion.

Note:

On September 17, 2018, Lockwood disclosed that it had amended Item 9 of its Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure to disclose administrative proceedings brought by the SEC against Lockwood based on Lockwood's failure to adopt and implement policies and procedures reasonably designed to provide clients or their investment managers with material information about third party portfolio manager "trading away" practices in Lockwood's separately managed account wrap fee program ("Wrap Program") and the full extent of the costs of choosing certain portfolio managers in those Wrap Programs. Lockwood was ordered to cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. Lockwood paid a civil money penalty in the amount of \$200,000 to the SEC.

On February 12, 2018 the SEC announced the Share Class Selection Disclosure Initiative ("SCSD Initiative"), a self-reporting initiative directed at investment advisers, under which the SEC Division of Enforcement agreed to recommend favorable settlement terms for advisers who self-report violations of the federal securities laws relating to certain mutual fund share class selection and disclosure issues and who promptly return money to harmed clients. Lockwood voluntarily participated in the SCSD Initiative. In connection with the SCSD Initiative, Lockwood undertook a review of its disclosures, and of the mutual fund share classes recommended to, or purchased or held by, clients invested in Lockwood Programs during the period between January 1, 2014 and September 4, 2015 and determined that, during this period, certain mutual funds paid 12(b)1 fees totaling \$45,872 to Pershing Adviser Solutions, a broker-dealer affiliated with Lockwood, when a lower cost share class was available. Lockwood 43 voluntarily reported this to the SEC pursuant to the SCSD Initiative. On March 11, 2019, the SEC issued an Order Instituting Administrative and Cease and Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease and Desist Order against Lockwood (the "Order"), which Order found that Lockwood violated Sections 206(2) and 207 of the Advisers Act. Lockwood was ordered to cease and desist from future violations of Sections 206(2) and 207 of the Advisers Act; was censured; and was ordered to pay disgorgement of \$45,872, together with prejudgment interest of \$6,315.98, and to distribute such amounts to affected clients.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

## **(6) Lockwood/American Funds Core Portfolios ("Lockwood American Funds Program")**

KIS offers the Lockwood American Funds Program on a nondiscretionary basis to its clients through its relationship with Lockwood which serves as discretionary money manager for the Lockwood American Funds Program.

The Lockwood American Funds Program is based on strategic asset allocation models ("LAFP Models") developed by Lockwood and comprised of American Funds' mutual funds ("AF Funds") and ETFs selected by Lockwood for a particular LAFP Model. Currently, KIS offers three (3) LAFP Models which provide broad-market stock and investment-grade bond exposure in a range of stock/bond allocations, from 73%

fixed income to 90% equity. Lockwood provides discretionary management for Clients' accounts and implements trade orders based on asset allocation changes that Lockwood, in its sole discretion, determines to be appropriate.

Prior to investing in a LAFP Model, Clients complete an investment profile questionnaire which is intended to guide them in the selection of the appropriate LAFP Model. The output from the questionnaire is a risk score, which assists the KIS financial professional in recommending a LAFP Model(s) which best suits the Client's risk tolerance and investment objectives. Clients select a LAFP Model that is appropriate for the investment circumstances Clients set forth in the investment profile questionnaire. Clients make the final determination as to which overall investment strategy, LAFP Model, and profile changes will be made in their accounts. The financial professional may provide the Client with an investment proposal or strategy sheet that identifies the specific portfolio in the LAFP Model recommended to the Client and details the underlying AF Funds' investments, as well as the overall asset and style allocation of the LAFP Model. The Client is ultimately responsible for the selection of the appropriate LAFP Model.

Neither KIS nor Lockwood exercise investment discretion in the selection of the LAFP Model. KIS does not exercise investment discretion concerning the specific underlying investment vehicles and strategies comprising the LAFP Model.

Lockwood retains discretion with respect to individual Client accounts over the implementation of asset allocation changes in the Client's chosen LAFP Model and may implement asset allocation changes differently with respect to individual Client accounts. Other services offered in connection with the Lockwood American Funds Program include but are not limited to: periodic rebalancing of the Client's securities positions within the Client's chosen LAFP Model by Lockwood to maintain the desired asset allocation; the provision of monthly custodial account statements by Pershing; and, the provision of quarterly performance reporting by Lockwood.

KIS's current program fee for the Lockwood American Funds Program is as follows:

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	1.80%
\$500,001 - \$1,000,000	1.30%
\$1,000,001+	1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$72.50 in the event the money manager fee would total less than \$72.50 based on the schedule:

When KIS's Program assets under management with Lockwood are \$0 - \$3,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.20%
\$500,001 - \$1,000,000	0.17%
\$1,000,001+	0.15%

- This does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(6) below.

When KIS's Program assets under management with Lockwood are \$3,000,000,001 - \$5,000,000,000:

<u>Portfolio Value</u>	<u>Money Manager Fee</u>
\$0 - \$500,000	0.17%

\$500,001 - \$1,000,000	0.14%
\$1,000,001+	0.13%

- This change does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(6) below.
- The \$72.50 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$70.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00.
- This Money Manager Fee schedule and the \$70.00 fee is in effect currently.

Fees for the Lockwood American Funds Program are negotiable in KIS's sole and absolute discretion.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

### **(7) Unified Managed Account Program ("UMA Program")**

KIS offers the UMA Program on a non-discretionary basis to its clients through its relationship with Lockwood. Lockwood serves as the investment manager of the UMA Program and acts as a third-party service provider to KIS. The UMA Program is sponsored by KIS.

The UMA Program is a discretionary, multi-discipline, multi-manager managed account product housed in a single portfolio with six (6) core models in which a Client may invest either: (i) depending on how the Client scores on an investment profile questionnaire, or (ii) at the Client's direction. The six (6) core models span the risk/return spectrum from current income model to aggressive growth model within the context of a diversified portfolio. Clients may also choose from multiple model strategist programs as well as Separately Managed Account "SMA" models.

Lockwood, serving as a discretionary portfolio manager, determines asset allocation and selects the underlying investment managers ("Investment Managers") and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as Lockwood's macroeconomic outlook and investment discipline. KIS does not exercise investment discretion in the Client's selection of the third-party model strategists or Investment Managers or in the asset allocation in the underlying investment vehicles and strategies used in a Client's account. KIS financial professionals, utilizing an investment profile questionnaire, provide Clients with non-discretionary, non-binding recommendations regarding such asset allocation and underlying investment vehicles and strategies to meet Clients' investment objectives, but Clients direct the overall investment strategy and profile changes to be made in their accounts. Clients are ultimately responsible for the selection of the appropriate asset allocation model and strategy. However, Lockwood has full discretionary authority to invest, reinvest and otherwise deal with assets in the UMA Program Client accounts in its discretion within the model selected by the Client. Lockwood may, when it deems appropriate and without prior consultation with Clients or KIS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, alternative investments and other securities, and may at its discretion replace Investment Managers and underlying investment vehicles if, for example, Lockwood deems such Investment Manager or investment vehicle to be underperforming. Lockwood also provides overlay management services for the Client's UMA Program account and implements trade orders based on the investment strategies contained in UMA Program portfolios.

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

<u>Portfolio Value</u>	<u>Maximum Annual Fee</u>
\$0 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%



\$1,000,001+ 1.00%

KIS uses a portion of its program fee to pay Lockwood a money manager fee based on the following schedule, or a minimum annual fee of \$150.00 in the event the money manager fee would total less than \$150.00 based on the schedule:

<u>KIS's Program assets under management with Lockwood</u>	<u>Money Manager Fee</u>
\$0 - \$3,000,000,000	0.20%
\$3,000,000,001 - \$5,000,000,000	0.17%

- This does not affect fees including the Minimum Fee applicable to the Client's account and which the Client may pay. Please see the "NOTE" in this Item 4(7) below.
- The \$150.00 money manager fee charged by Lockwood to KIS set forth above may be reduced to \$140.00 in the event that KIS's Program assets under management with Lockwood exceed \$3,000,000,000.00
- The 0.17% Money Manager Fee and the \$140.00 minimum annual fee is in effect currently.

Fees for the UMA Program are negotiable in KIS's sole and absolute discretion.

*NOTE: Effective January 1, 2021, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year, for accounts whose wrap fee for the quarter would be less than the amount of the Minimum Fee. For further information, please see Item 4 at Minimum Fee.*

### **Minimum Fee**

Effective January 1, 2021 for all Client wrap accounts, KIS implemented a Minimum Fee of \$32.50 per quarter, or \$130 per year. The Minimum Fee will be applied to all accounts in which wrap fees based on the applicable Maximum Annual Fee schedule for a Wrap Program or wrap fee as otherwise agreed upon with a Client, would be less than the Minimum Fee. In such instances, the wrap fee for the account will be increased up to the amount of the Minimum Fee. The Minimum Fee will be assessed quarterly in advance, and will not be refunded or applied to offset fees in a subsequent quarter should the amount of the wrap fee otherwise applicable to the account be greater than the Minimum Fee in a subsequent quarter.

In the event the Minimum Fee would become due for an account, the effective fee for the account expressed as a percentage of assets under management maintained in the account will be greater than the percentage as expressed in the applicable Maximum Annual Fee schedule or wrap fee as otherwise agreed upon with Client in KIS's discretion, and will fluctuate depending upon the amount of assets maintained in a Client's account in a given quarter. A Client who participates in a Wrap Program should consider whether, after considering the Minimum Fee, the level of portfolio activity in the Client's account, the value of the custodial and other services which are provided under the arrangement, the Minimum Fee, if applied, exceeds the aggregate cost of such services if they were to be purchased separately. Because the Minimum Fee may be greater than what would have been the case if the Client paid separately for investment advice and brokerage and other services or participated in another program, financial professionals may have an incentive to recommend opening or maintaining Wrap Programs over alternative programs or over the purchase of such services separately, including with respect to mutual funds, collective investment vehicles, or other assets that may comprise a Wrap Program account and which may be purchased on an individual basis through KIS's standard brokerage services.

The Minimum Fee would generally apply to small balance accounts with a low level of assets under management, including less than the minimum investment amount typically required to open and maintain a wrap account unless otherwise agreed to with a Client in KIS's discretion (see Item 5: Account Requirements and Types of Clients), and the Minimum Fee would be greater than the wrap fee generally

applicable to the Wrap Program. As a result, KIS and KIS financial professionals have an incentive to recommend that clients open or maintain accounts with less than the minimum investment amount otherwise applicable, and to exercise their discretion to waive the minimum investment amount, including for small accounts with balances that may not be economical to maintain as a wrap account. KIS mitigates this conflict of interest by reviewing the opening and maintenance of small balance accounts to ensure that account balances remain sufficiently high to be economical for the Client to maintain the account.

Not all investment advisers apply minimum fee requirements to wrap programs which they sponsor or in which they participate. In the event the Minimum Fee were to become due for an account, the Minimum Fee may render the wrap fee applicable to the account more expensive than fees charged by other investment advisers for similar wrap fee programs.

### **Fees Not Included in Program Fees**

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

### **KIS Program Services**

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

For all Advisory Products except Vanguard Program II, KIS through a KIS financial professional will consult with the Client and complete, with the Client’s assistance, an investment profile questionnaire to determine the Client’s risk profile score based on the Client’s financial circumstances, investment objectives, and to place any reasonable restrictions on management of the wrap account. Based upon the risk profile score, KIS will assist the Client in selecting investment options from available investment programs. Clients open wrap accounts with KIS and retain KIS to assist the Client in allocating the Client’s assets and in monitoring and/or selecting one or more investment options and to provide trade execution, reporting and custodial services for the account. For Clients in the Vanguard Program II, Clients will



continue to use the investment profile questionnaire they completed in connection with opening of their accounts in the former Key Digital Portfolio Advisor<sup>SM</sup> Program and may maintain the same Vanguard CORE Model(s) they selected for their former Key Digital Portfolio Advisor<sup>SM</sup> Program Accounts prior to transition to the Vanguard Program II. For additional information regarding Review of Accounts, please see Item 9(4).

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

A Client who participates in a Wrap Program should consider whether, after considering the level of portfolio activity in the Client's account, the value of the custodial and the other services which are provided under the arrangement, the wrap fee, including the Minimum Fee if applied to the wrap fee, exceeds the aggregate cost of such services if they were to be purchased separately. Because the wrap fee may be greater than would have been the case if the Client paid separately for investment advice and brokerage and other services or participated in another program, financial professionals may have an incentive to recommend the Wrap Programs over alternative programs or over the purchase of such services separately, including with respect to mutual funds, collective investment vehicles, or other assets that may comprise a Wrap Program account and which may be purchased on an individual basis through KIS's standard brokerage services.

Investments in mutual funds and ETFs are subject to various other fees that are paid by those portfolios, but ultimately are borne by shareholders through lower returns than would likely be experienced without those fees. These expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees related to investment in mutual funds. In addition, securities purchased by an Investment Manager may require that spreads be paid to market makers as markups or markdowns of the price of the security purchased.

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

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

For all Advisory Products, Clients are charged a program fee every calendar quarter in advance. The maximum program fee that Clients may be charged is set forth in the tables above in the description of the applicable Advisory Product. The program fee paid by a particular Client is set forth in the Client Agreement as it may be amended. KIS shares a portion of the program fee for Advisory Products with Pershing, Lockwood and/or any applicable sub-managers for their respective services. No program fee adjustments are made for any billing period with respect to partial withdrawals within a billing period. Program fees do not cover all costs or charges arising from these accounts. For further information, please

see “Fees Not Included in Program Fee” above, the Advisory Product descriptions in Item 4 above, and the respective third-party service provider’s applicable Form ADV Part 2 brochure.

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

In KIS’s sole and absolute discretion: a) it may negotiate varying fees for Clients; b) certain related accounts may be aggregated for purposes of applying the applicable fee schedule as if the accounts were one account; c) account minimums may be waived; and d) KIS may also charge different fees than the fees summarized in this brochure, such as a flat fee rate such that assets will be charged the same rate regardless of the amount of assets in the account based upon factors deemed relevant by KIS such as additional assets under management in different programs or other business relationships with the Client. This could cause Clients who do not receive such treatment to pay more for the same or similar services.

KIS may in its sole discretion change the actual fee charged upon thirty (30) days’ written notice to the Client. Clients must either accept the change or close the account.

Because KIS’s advisory fees and those of the other third-party investment advisers within the firm’s advisory program are based on assets under management, KIS and those third-party investment advisers have a conflict of interest in valuing securities held in Client accounts, since a higher valuation produces higher advisory fees. For Client Accounts for which Pershing acts as the custodian, securities listed on any national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which those securities are traded. Pershing shall value any other securities or investments in a manner determined by Pershing in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of such securities or investments. Pershing in its sole discretion may use the services of an independent evaluator, as well as other independent sources with respect to the computation of market value of securities. The data contained in those reports has not been verified by Pershing or KIS.

A Client may request that uninvested cash funds in their account awaiting permanent investment to be swept into the Dreyfus Insured Deposit Program (the “Sweep Program”) offered through Pershing. Pershing operates the Sweep Program which, if the Client chooses to participate, will sweep Client’s excess cash balances in their brokerage account at Pershing into interest-bearing bank deposit accounts (“Deposit Accounts”) at various depository institutions (“Program Banks”) and sweeps a Client’s cash from the various Program Banks to cover purchases of securities and other debits in the Client’s brokerage account carried at Pershing. The Client receives interest on balances held on deposit at the various Program Banks. Interest rates may fluctuate and are based on the interest rates determined and paid by the respective Program Banks in which a Client’s balances are invested. A Client may receive a lower rate of return on balances invested through the Sweep Program than on other investment or cash sweep alternatives. A Client will not have a direct access to the funds deposited with the Program Banks, but a Client may access his or her funds through their account by contacting their financial professional to process such a request through Pershing. A Client’s brokerage statement will list the names of the Program Banks holding the Client’s balances, as well as how much is on deposit with each respective Program Bank. Pershing or its affiliated companies (Promontory InterFinancial Network (“Promontory”) and Dreyfus Cash Investment Services, a division of MBSC Securities Corporation (“Dreyfus”) who provide services to the Sweep Program may change Program Banks participating in the Sweep Program and their priority for receiving

deposits from time to time. Pershing, Promontory and Dreyfus earn fees (which may or may not be account-based) on the amount of money in the Program, including a Client's balances. Pershing or Dreyfus may be affiliated with Program Banks. KIS's affiliated banks are not currently Program Banks. For further information concerning the Sweep Program (including the eligibility of deposited funds for FDIC insurance of up to \$250,000 per insurable interest), please read the Dreyfus Insured Deposit Program Disclosure Statement and Terms and Conditions for Single Rate Program which is supplied at account opening or is available on request from a Client's KIS financial professional.

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

Certain mutual funds in which Clients may invest, distribute or may distribute payments to KIS and/or Pershing as clearing broker for KIS, including payments from mutual funds for which neither KIS nor any of its affiliates or subsidiaries ("Key") serves as an investment adviser, fund manager, or distributor ("Non-Proprietary Mutual Funds"). Such payments may be made pursuant to a Rule 12b-1 distribution plan or other arrangements as compensation to help defray the costs of services offered by KIS and made available to fund families such as for distribution, shareholder services, record keeping, administrative services, and the costs of KIS financial professional training and continuing education and sales events. Such payments may be distributed from the fund's total assets. In addition, Key has entered into arrangements with Non-Proprietary Mutual Fund companies under which the Non-Proprietary Mutual Funds and/or the Non-Proprietary Mutual Fund companies compensate Key for services provided to the Non-Proprietary Mutual Funds and/or the Non-Proprietary Mutual Fund companies. These fees for services are in addition to, and will not reduce, Key's compensation for other services provided to Clients' accounts. Such fees for services will not be paid directly by Clients' accounts but will be paid to Key by the Non-Proprietary Mutual Fund company or the Non-Proprietary Mutual Fund itself.

KIS has a financial incentive to recommend these mutual funds to Clients over mutual funds that don't make these payments. Individual KIS financial professionals do not directly receive any portion of these payments. The 12b-1 fees received by KIS and other fee arrangements will be disclosed upon Client request and are typically disclosed in the applicable fund's prospectus. KIS will credit or cause to be credited any 12b-1 fees that it may receive from a mutual fund in connection with a Client's wrap account back to the Client's wrap account. KIS will retain any other fee and that fee is in addition to the Advisory Product Fees discussed herein. For further information, Clients should carefully review their KIS Standard Advisory Contract and Client Agreement and the prospectus for the applicable mutual fund.

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

In addition, Pershing will pay KIS for certain distribution assistance services regarding the money market fund(s) or bank-based money market account(s) held in a Client's underlying brokerage account as sweep

options. This fee varies depending on the type of fund held and the average fund balance held by Clients. The fee varies from 0.15% to 0.65% of the average fund balances.

## Item 5: Account Requirements and Types of Clients

The following are the minimum investment dollars required to open and maintain an account, unless otherwise agreed to in KIS's sole and absolute discretion (see Item 4 at KIS Program Services):

<u>Account Type</u>	<u>Size</u>
Lockwood Investment Strategies	\$250,000
SMA Program	\$100,000
UMA Program	\$ 75,000*
Lockwood Advisor <i>Flex</i> Portfolios	\$ 25,000
BlackRock Program I	\$ 25,000
Calvert Program	\$ 25,000
Natixis Program	\$ 25,000
Loring Ward Program	\$ 25,000
EMA Program	\$ 25,000
Russell Program II	\$ 25,000
Lockwood American Funds Program	\$ 10,000
WealthStart Program	\$ 10,000
Russell Program I	\$ 10,000
Vanguard Program I	\$ 10,000
BlackRock Program II	\$ 10,000
BlackRock Program III	\$ 10,000
Key Program	\$ 10,000
Vanguard Program II	\$ 5,000

\* The minimum overall account size required to participate in the UMA Program is \$75,000. The minimum required investment for each Investment Manager model selected within the UMA Program varies, between \$10,000 - \$100,000.

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

## Item 6: Portfolio Manager Selection and Evaluation

As described in Item 4, KIS is a Wrap Program Sponsor by which it provides access to certain investment advisory products including: the Programs offered through Lockwood (i.e., the LIS Program, the AFP Program, the Russell Programs, the BlackRock Programs, the WealthStart Program, the Calvert Program, the Loring Ward Program, the Vanguard Programs, the Natixis Program, the Lockwood American Funds Program, EMA, the SMA Program, the Key Program, and the UMA Program).

Lockwood is the third-party Money Manager of the WealthStart Program, the LIS Program, the Lockwood American Funds Program and the AFP Program. Lockwood is the discretionary money manager with respect to covered SMA managers on Lockwood's SMA platform, including the Key Program, and the UMA Program. Lockwood selects, reviews and replaces the investment vehicles and sub-managers for the WealthStart Program, the Lockwood American Funds Program, the LIS Program, the AFP Program, the SMA Program, and the UMA Program. According to Lockwood's Form ADV Part 2A, the Manager

Research Group of BNY Mellon (“BYNMMRG”) is the primary manager research provider to and provides manager and investment vehicle research to Lockwood. Lockwood is an indirect, wholly-owned subsidiary of BNY Mellon. Lockwood retains decision-making responsibility regarding managers and investment vehicles included in its programs and products. According to information in Lockwood’s Form ADV Part 2A, Lockwood considers various sources of information and criteria in selecting and the ongoing evaluation of investment vehicles and sub-managers for its wrap products and programs, which include the WealthStart Program, the LIS Program, the Lockwood American Funds Program and the AFP Program. According to Lockwood’s Form ADV Part 2A, with respect to portfolio managers and model managers, Lockwood, through BYNMMRG, may consider a variety of criteria such as reviews of assets under management, personnel, registration, disclosures and regulatory history. The criteria employed for each manager may not be identical and instead may be based on the nature of the manager’s portfolios and investment philosophy.

According to Lockwood’s Form ADV Part 2A, Lockwood, through BYNMMRG, uses a screening process to evaluate mutual funds. According to Lockwood’s Form ADV Part 2A, criteria employed in the screening process may vary depending on a variety of factors, but may include a range of criteria including analysis of:

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

According to Lockwood’s Form ADV Part 2A, Lockwood, through BYNMMRG, uses a comparable screening process to evaluate ETFs, and may consider a range of factors including:

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

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

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

KIS, through Lockwood, engages KeyBank to structure the Key Models used in the Key Program. KeyBank selects, reviews and replaces securities and other investments comprising the Key Models. Lockwood will review and replace mutual funds and other investments comprising the Key Models as directed by KeyBank. Lockwood does not conduct investment due diligence on the Key Models or KeyBank, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Key Models. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Key Models for general suitability for its Clients and reviews and monitors KeyBank, the Key Models comprising its Key Program and Lockwood for their performance in the same manner as described in Item 4. KIS uses a third-party due diligence adviser to review KeyBank and its Key Models to avoid any conflict of interest it may have in approving the use of its affiliated bank's models as part of its investment advisory business. For additional information concerning the Key Program, please see Lockwood's Form ADV Part 2A.

KIS, through Lockwood, engages RIMCo to structure the Models used in the Russell Program I and Russell Program II. RIMCo selects, reviews and replaces Russell Fund mutual funds comprising the Russell Models. Lockwood will review and replace mutual funds comprising the Russell Models as directed by RIMCo. Lockwood does not conduct investment due diligence on the Russell Models or RIMCo, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Russell Models. Lockwood has represented and warranted to KIS that Lockwood has verified RIMCo's status as a registered investment adviser prior to making the Russell Program available, including review of RIMCo's Form ADV Part 1 and 2 filings, and Lockwood requires RIMCo to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Russell Models for general suitability for its Clients and reviews and monitors RIMCo, the Russell Models, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the Russell Programs, please see Lockwood's and RIMCo's respective Form ADV Part 2A.

KIS through Lockwood engages VAI to structure the Vanguard Models used in the Vanguard Program I and the Vanguard CORE Models in Vanguard Program II. VAI selects, reviews and replaces mutual funds and/or ETFs comprising the Vanguard Models and Vanguard CORE Models. Lockwood will review and replace mutual funds and/or ETFs comprising the Vanguard Models and Vanguard CORE Models as directed by VAI. Lockwood does not conduct investment due diligence on the Vanguard Models, the Vanguard CORE Models, or VAI, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Vanguard Models or in the Vanguard CORE Models. Lockwood has represented and warranted to KIS that Lockwood has verified VAI's status as a registered investment adviser prior to making the Vanguard Programs available, including review of VAI's Form ADV Part 1 and 2 filings, and Lockwood requires VAI to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Vanguard Models and Vanguard CORE Models for general suitability for its Clients and reviews and monitors VAI, the Vanguard Models comprising the Vanguard Program, the Vanguard CORE Models comprising the Vanguard Program II, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the Vanguard Programs, please see Lockwood's and VAI's respective Form ADV Part 2A.

KIS, through Lockwood, engages BIM to structure the BlackRock Program I Models and BlackRock Program II Models (collectively, the "BlackRock Models") of the BlackRock Program I and BlackRock Program II (collectively, the "BlackRock Programs"). BIM selects, reviews and replaces BlackRock Funds comprising the BlackRock Models. Lockwood reviews and replaces the BlackRock Funds comprising the BlackRock Models as directed by BIM. Lockwood does not conduct investment due diligence on the BlackRock Models or BIM, and Lockwood is not responsible for the selection of the underlying BlackRock Funds in the BlackRock Models. Lockwood has represented and warranted to KIS that Lockwood has verified BIM's status as a registered investment adviser prior to making the BlackRock Programs available,

including review of BIM's Form ADV Part 1 and 2 filings, and Lockwood requires BIM to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the BlackRock Models for general suitability for its Clients and reviews and monitors BIM, the BlackRock Models comprising its BlackRock Programs, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the BlackRock Programs, please see Lockwood's and BIM's respective Form ADV Part 2A.

KIS, through Lockwood, engages Natixis Advisors to structure the Natixis Models comprising the Natixis Program. Natixis Advisors selects, reviews and replaces securities and other investments comprising the Natixis Models. Lockwood reviews and replaces mutual funds and other investments comprising the Natixis Models as directed by Natixis Advisors. Lockwood does not conduct investment due diligence on the Natixis Models or Natixis Advisors, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Natixis Models. Lockwood has represented and warranted to KIS that Lockwood has verified Natixis Advisors's status as a registered investment adviser prior to making the Natixis Program available, including review of Natixis Advisors's Form ADV Part 1 and 2 filings, and Lockwood requires Natixis Advisors to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Natixis Models for general suitability for its Clients and reviews and monitors Natixis Advisors, the Natixis Models comprising its Natixis Program, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the Natixis Program, please see Lockwood's and Natixis Advisors's respective Form ADV Part 2A.

KIS, through Lockwood, engages Calvert to structure the Calvert Models comprising the Calvert Program. Calvert selects, reviews and replaces mutual funds comprising the Calvert Models. Lockwood reviews and replaces mutual funds comprising the Calvert Models as directed by Calvert. Lockwood does not conduct investment due diligence on the Calvert Models or Calvert, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Calvert Models. Lockwood has represented and warranted to KIS that Lockwood has verified Calvert's status as a registered investment adviser prior to making the Calvert Program available, including review of Calvert's Form ADV Part 1 and 2 filings, and Lockwood requires Calvert to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Calvert Models for general suitability for its Clients and reviews and monitors Calvert, the Calvert Models comprising its Calvert Program, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the Calvert Program, please see Lockwood's and Calvert's respective Form ADV Part 2A.

KIS, through Lockwood, engages LW to structure the Loring Ward Models comprising the Loring Ward Program. LW selects, reviews and replaces mutual funds comprising the Loring Ward Models. Lockwood reviews and replaces mutual funds comprising the Loring Ward Models as directed by LW. Lockwood does not conduct investment due diligence on the Loring Ward Models or LW, and Lockwood is not responsible for the selection of the underlying investment vehicles in the Loring Ward Models. Lockwood has represented and warranted to KIS that Lockwood has verified LW's status as a registered investment adviser prior to making the Loring Ward Program available, including review of LW's Form ADV Part 1 and 2 filings, and Lockwood requires LW to complete a compliance due diligence questionnaire on an annual basis. KIS, through its Investment Advisory Sub-Committee of its Product Due Diligence Committee, reviews the Loring Ward Models for general suitability for its Clients and reviews and monitors LW, the Loring Ward Models comprising its Loring Ward Program, and Lockwood for their performance in the same manner as described in Item 4. For additional information concerning the Loring Ward Program, please see Lockwood's and LW's respective Form ADV Part 2A.

In addition, KIS's monitoring program for its Wrap Programs requires its financial professionals to meet regularly, no less than annually and more frequently as circumstances warrant, with Clients to review

performance of their accounts, conduct a suitability analysis of investments, verify and confirm risk tolerance with the Client, address diversification and risk issues attendant to certain investments, make any necessary adjustments to the account based on the changes to the Client's financial situation, and evaluate with Clients whether portfolio managers remain suitable for the Client or should be adjusted. For additional information regarding Review of Accounts, please see Item 9(4).

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

Certain Investment Managers or sub-managers may, as part of their independent trading strategies, purchase securities issued by KeyCorp or may purchase securities through or securities underwritten by KeyBanc Capital Markets, Inc., KIS's corporate parent company, and in the LIS Program, the SMA Program or other Programs. KIS and its financial professionals:

- do not exercise discretion over these Programs;
- do not require, encourage, or have advance notice of or coordinate with Lockwood, or any other Investment Manager to purchase affiliated securities, to purchase securities through a KIS affiliate, or to purchase securities underwritten by a KIS affiliate; or
- do not receive compensation in the event an Investment Manager was to purchase such securities.

Nevertheless, the benefits to KIS's parent and holding company from the purchase of securities issued by, through or underwritten by such entities may create a potential conflict of interest.

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

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

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



Pershing or other service providers as necessary in connection with the performance of services for Client accounts.

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

Clients should first contact their KIS financial professional for the financial professional to arrange a direct consultation between the Client and Lockwood. For further information on contacting portfolio managers, please read carefully Lockwood's Form ADV Part 2A.

## **Item 9: Additional Information**

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

On December 5, 2019, KIS entered into a Letter of Acceptance, Waiver and Consent ("AWC") to conclude an investigation by the Financial Industry Regulatory Authority, Inc. ("FINRA") with respect to the firm's broker-dealer operations. Without admitting or denying the findings, KIS consented to: a censure; a fine of \$425,000; restitution to certain customers of \$589,221.66; disgorgement to certain customers of \$134,169.40; and certify within 120 days in writing to FINRA that it has implemented supervisory systems and written supervisory procedures reasonably designed to address each of the areas of conduct identified. The findings stated among other things that: (1) between November 2010 and June 2014, KIS failed to establish and maintain supervisory systems and procedures that were reasonably designed to achieve compliance with its suitability obligations when recommending certain unit investment trusts ("UIT") which invested in leveraged closed-end funds, including to provide reasonable guidance or training to its registered representatives and supervisors about the potential risks and volatility of these products; although the firm manually reviewed these transactions, it failed to identify or follow up on red flags in approximately 100 recommended purchases of UITs that raised suitability concerns due to the customers' risk tolerance and investment profile; and, the firm has since undertaken significant efforts to address the supervisory and operational issues that FINRA raised during its investigation, including independently retaining compliance and product consultants; (2) between July 2012 and June 2014, KIS failed to enforce its supervisory procedures that required the collection and documentation of customer-specific suitability factors on account update forms when making new recommendations of securities to existing customers; and the firm addressed the issue by authorizing registered representatives to enter account update information directly into the firm's system with confirmations sent to the customers, and among other things, by blocking newly solicited trades until the account update form had been obtained or the information had been otherwise entered into the system; and (3) between November 2010 and October 2013, KIS provided inaccurate information to customers in approximately 189 switch disclosure letters ("SDL") regarding the sales charges, costs, and expenses of the UITs; although the firm also provided the customers a copy of the prospectus for the UITs which included a fee table, the inaccurate information on the SDL potentially confused certain customers by making switching into the new UIT appear more financially advantageous; the firm's compliance department identified through its surveillance that SDLs were not always disclosing completely or accurately the fees on UIT switches, it issued guidance to its sales force including regarding the calculation of fees which reduced but did not eliminate the exception rates previously identified; and the firm corrected the problem when it eliminated the manual estimation and transcription of sales charges and/or expenses and instead attached to the SDL a copy of the fee table from the UIT prospectus.

On January 27, 2016, KIS entered into an AWC to conclude an investigation by FINRA. Without admitting or denying FINRA's findings, KIS consented to a censure, a fine of \$100,000, restitution of \$100,247.02, and to FINRA's findings that KIS in its broker-dealer operations failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs resulting in customers paying excessive sales charges of approximately \$95,254.34. The findings stated that KIS had already paid restitution to all

affected customers in addition to interest of \$4,992.68. The findings also stated with respect to price discounts for UIT rollover transactions that KIS failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed so that customers received rollover discounts on all eligible UIT purchases.

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

KIS is an indirect wholly-owned subsidiary of KeyCorp, one of the nation's largest bank holding companies. KeyCorp owns KIS's parent corporation, KeyBanc Capital Markets Inc. ("Key Capital Markets"). Key Capital Markets is a SEC-registered broker-dealer and FINRA member and, since July 1, 2019, has been KIS's direct parent corporation. Key Capital Markets provides brokerage services to institutional clients and investment banking services, and provides operational, financial, and compliance services to KIS. It does not provide brokerage or investment management services to KIS, but it may provide such services to certain managers or sub-managers in KIS's advisory program and it may be an underwriter of certain securities held in certain wrap products which KIS makes available to its clients.

KIS is an introducing broker-dealer registered with the SEC, a member of FINRA, and regulated by various other state regulatory bodies. As a broker-dealer, KIS provides a variety of brokerage services and may render advice as to the value and/or advisability of purchasing or selling securities, without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer.

KIS, as a SEC-registered investment adviser, also provides advisory services through the programs as described in this brochure.

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

Certain of KIS's affiliates also provide investment banking, foreign exchange, interest rate risk and equity risk management services and equity and fixed income proprietary research. Various affiliates of KIS sponsor investment-related limited partnerships and limited liability companies and serve as general partner and manager, respectively, of such entities. KIS generally does not recommend that its advisory Clients invest in these entities and has no arrangements that are material to its advisory business or its Clients with any of these entities, or with their affiliated sponsors with respect to such entities.

KeyCorp's bank and trust company subsidiaries offer personal and corporate trust services, personal financial services, access to mutual funds, cash management services, investment banking and capital markets products, and international banking services. Through its bank, trust company and registered investment subsidiaries, KeyCorp provides investment management services to Clients that include large corporate and public retirement plans, foundations and endowments, high net worth individuals and Taft-Hartley plans. In addition, KeyCorp's national banking subsidiary, KeyBank National Association, is a registered municipal advisor. KeyBank provides certain investment due diligence and analysis, adviser support, new product, trading, investment operations and other investment related services to KIS. It also provides certain shared services to KIS including real estate services, payroll and other services.

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

KIS has adopted an Investment Advisory Code of Ethics ("Advisory Code of Ethics") that governs the activities of KIS supervised personnel, which requires KIS and its financial professionals to exercise their fiduciary duty to Clients, to act in the best interest of the Client and always place the Client's interests first and foremost. KIS takes seriously its compliance and regulatory obligations and requires all KIS personnel to comply with such rules and regulations, as well as with KIS' policies and procedures and Advisory Code of Ethics.

Further, KIS strives to handle Clients' non-public information in such a way to protect such information from falling into hands that have no business reason to know such information and provides Clients with KeyCorp's Privacy Policy.

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

KIS's Advisory Code of Ethics is distributed to each KIS employee at the time of hire/contract, and as it is modified. In addition, KIS requires an annual certification by all employees regarding their understanding and compliance with the Advisory Code of Ethics, as amended. KIS also supplements the Advisory Code of Ethics with annual training and ongoing monitoring of employee activity.

KIS's employees also are required to adhere to KeyCorp's Code of Business Conduct and Ethics. All employees must acknowledge the terms of KeyCorp's Code of Business Conduct and Ethics, as amended, annually.

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

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

KIS financial professionals are registered representatives with KIS and must execute securities transactions through KIS.

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

In accordance with Section 204A of the Investment Advisers Act of 1940, KIS also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by KIS or any person associated with KIS. Further, the Code of Ethics contains prohibitions against such transactions.

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

KIS requires that all financial professionals' personal brokerage accounts be held at KIS. If an employee cannot obtain needed services at KIS, it requires firm approval and copies of all brokerage statements be provided to it directly from the third-party broker.

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

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

In addition, before a wrap fee account is recommended, with the exception of Vanguard Program II, the KIS financial professional makes reasonable efforts to obtain information about the Client's financial status, investment objectives, trading history, size of portfolio, nature of securities held and account diversification. Based on these factors and any other relevant information, the financial professional considers whether the account recommended is appropriate considering the services provided, the projected cost to the Client, alternative fee structures that may be available, and the Client's fee structure preferences. For Clients in the Vanguard Program II, Clients will continue to use the investment profile questionnaire they completed in connection with the opening of their accounts in the former Key Digital Portfolio Advisor<sup>SM</sup> Program and may maintain the same Vanguard CORE Model(s) they selected for their former Key Digital Portfolio Advisor<sup>SM</sup> Program Accounts prior to transition to the Vanguard Program II. Continued suitability is monitored annually with the Client based on the initial factors set forth previously and any new information received concerning the Client's financial situation. Clients are urged to contact their KIS financial professional if any significant change in their financial situation occurs so that their plan may be reviewed.

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

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

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

KIS does not pay referral fees to any third party that is not supervised by it. Certain compensation plans which its affiliate, KeyBank, sponsors are discretionary bonus plans. Revenues from KIS may be one of several factors (most of which are not based on the revenues generated by securities transactions) that determine the amount of the bonus under such discretionary bonus plans. KIS's revenue may be higher as a result of a referral from a non-supervised banker and thus might affect the payout to that banker. However, referrals by a non-supervised banker may not be considered in determining bonus payments.

Your financial professional may act as a finder for KeyBank products including trust and private banking, and may recommend that you open an investment or trust account with KeyBank. If you have an account at KIS, you are referred to KeyBank and you decide to move your account to KeyBank your financial

professional will receive a payment of 90 basis points (.0090 times the value of the account moved). KeyBank referrals can add up to 2 percent to the percentage your financial professional is paid on their production grid. These payments present a conflict of interest because they create an incentive for KIS and your financial professional to refer you to KeyBank for investments that entail such payments rather than investments that do not entail these payments or entail less of these payments. Additionally, investments with an affiliate such as KeyBank benefit the affiliate, KIS and their parent financial holding company more than non-affiliate investments. This may induce the financial professional to refer you to invest with an affiliate over investing with others which creates a conflict of interest.

## **(6) Financial Information**

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

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

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