

K M S FINANCIAL SERVICES, INC.

2001 Sixth Avenue, Suite 2801 ~ Seattle, Washington 98121-9833 ~ (206) 441-2885

Form ADV Part 2A Firm Brochure – 2017

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

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

Item 2 – Material Changes

Since March 2017, KMS has made material and non-material changes to this Brochure. All changes are listed here for ease of reference and review.

Item 4 (Advisory Business) DBA information has been updated to include Synergy Financial Group and remove Goodfunds Wealth Management.

Item 10 (Other Financial Industry Activities and Affiliations), Item 12 (Brokerage Practices) and Item 14 (Client Referrals and Other Compensation) have been updated to reflect KMS’ updates to its Bank Deposit Sweep Program.

Item 10 (Other Financial Industry Activities and Affiliations) discloses that LTFS has 100% ownership in Ladenburg Thalmann Asset Management and Ladenburg Thalmann Annuity Insurance Services and thus are affiliated with KMS.

Item 12 (Brokerage Practices) has been updated with the Partner Program current participating firm names.

Item 3 – Table of Contents

Item 1 –	Cover Page
Item 2 –	Material Changes
Item 3 –	Table of Contents
Item 4 –	Advisory Business
Item 5 –	Fees and Compensation
Item 6 –	Performance-Based Fees and Side-By-Side Management
Item 7 –	Types of Clients
Item 8 –	Methods of Analysis, Investment Strategies and Risk of Loss
Item 9 –	Disciplinary Information
Item 10 –	Other Financial Industry Activities and Affiliations
Item 11 –	Code of Ethics and Personal Trading
Item 12 –	Brokerage Practices
Item 13 –	Review of Accounts
Item 14 –	Client Referrals and Other Compensation
Item 15 –	Custody
Item 16 –	Investment Discretion
Item 17 –	Voting Client Securities
Item 18 –	Financial Information

Item 4 – Advisory Business

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

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

Representatives who engage in advisory business (“Advisors”) are allowed to conduct their investment advisory activities under a separate unaffiliated business name or “DBA” (“doing business as”). Such Advisors are registered with KMS and provide investment advice through KMS. KMS supervises the Advisors’ investment advisory activities. The names of such DBAs include but are not limited to: Capital Financial Planners, Delta Financial Group, Financial Resources, First Pacific Financial, Joslin Capital Advisors, Martel Wealth Advisors, Martinson Stoller Advisors, Summit Advisors NW, Sustainable Wealth Management, Synergy Financial Group and The O’Hagan Group. Fee agreements and marketing materials clearly disclose KMS as the Registered Investment Advisor clients are engaging for investment advisory services.

KMS offers a range of investment advisory services through multiple platforms and custody arrangements. Those services include financial planning, investment advice and asset management for fees based on a percentage of assets under management, as well as advisory services of a number of unaffiliated third-party investment advisors. KMS offers these products and services to the public through its investment advisory representatives (Hereinafter: “Advisor(s)” or “KMS Advisor(s)”).

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

As of December 31, 2016, KMS had approximately \$4.400 billion of discretionary assets under management and approximately \$1.528 billion of non-discretionary assets under management for a total of approximately \$5.929 billion assets under management.

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

Wrap Fee Program: KMS does *not* perform portfolio management services as part of *other* sponsors’ wrap fee programs. Through its Advisors, KMS *does* provide portfolio management services under a “wrap fee” structure, i.e., a single fee which covers certain transaction costs as well as portfolio management services and advice. Generally the portfolio management services under the KMS Wrap Fee Program are similar to other KMS portfolio management services under different fee structures. Several factors should be evaluated when considering a KMS Wrap Fee program account including, but not limited to: account size; anticipated account trading volume; management style; investment goals; and client preference for a portfolio management program which includes transaction charges. There are no commissions charged in KMS’ Wrap Fee program; however, the Program charges a 25 basis point (0.25% per year) administrative retention (platform) fee that is paid from (i.e., out of) the advisory fee collected from Wrap Fee accounts. This does not increase your advisory fee (but please note that wrap accounts typically have a higher standard fee schedule than non-wrap accounts due to the decreased portion of the fee that is shared with your KMS Advisor). KMS receives a portion of the platform fee. KMS’ Wrap Fee program brochure is available through KMS or your Advisor.

Financial Planning and Consulting Services: KMS Advisors may offer **Financial Planning Services**, which may include collecting financial data, developing income and net worth statements, estate analysis, estate tax calculations, income tax analysis, investment analysis and general recommendations, and preparing a formal financial plan. KMS Advisors may provide occasional personal income or estate tax planning ideas which should be reviewed and implemented by your independent tax professional(s). Services are offered under an Advisory Agreement – Financial Consulting.

KMS Advisors may provide **Retirement Plan Consulting** by helping Clients in establishing new or converting existing retirement plans or accounts, recommending or selecting investments to be made available to plan participants, providing participant or fiduciary education, assisting in service provider evaluation or benchmarking, or providing performance reports and other performance related information. Retirement plans are usually participant-directed, but in some situations KMS Advisors are granted trading authority in the advisory contract. Services are offered under an Advisory Agreement – Financial Consulting or Retirement Plan Advisory Agreement.

Advisor Asset Management Services: KMS Advisors may offer **Portfolio Monitoring and Consulting Services** by monitoring a Client’s account holdings, providing ongoing investment recommendations and advice, and asset management through discretionary or nondiscretionary trade placement consistent with the Client’s investment objective, as declared in the advisory agreement. **There is no guarantee that the recommendations or trades will meet a Client’s investment objective over any given time frame.** Advisor will deliver to the Client performance report(s) on the schedule specified in the advisory agreement. Accounts may be held at the following custodians: Pershing LLC, Charles Schwab & Co., Inc. (“Schwab”), Fidelity Institutional Wealth Services (“Fidelity”), or TD Ameritrade, Inc. (“TD Ameritrade”). The custodian provides account statements directly to the Client. KMS urges Clients to promptly review all such account information.

Accounts may be traded on a discretionary or nondiscretionary basis, as specified in the advisory contract. Accounts will incur transaction fees which will vary depending upon the type of investment and the custodian. For assets held at Schwab, the client transaction fee schedule available is based on your Advisor’s aggregate assets under management at Schwab. Services are offered under an Asset Management Advisory Agreement.

KMS as SubAdvisor to other Registered Investment Advisors: On occasion KMS may be engaged to provide SubAdvisor investment advisory services, research and advice to another Registered Investment Advisor (“RIA”). In such event, that RIA’s clients will be engaged by such independent RIA through its own client advisory services agreement and KMS is engaged by the independent RIA only.

Tactical Monitoring is a service offered by a few KMS Advisors that sets objectives-driven asset allocation models in specified variable annuity sub-accounts, variable life sub-accounts, unit investment trusts (“UITs”), exchange-traded funds (“ETFs”) and/or mutual funds. Other compensation or commissions may accompany those products and the advisory fees are negotiated in anticipation of that compensation. Percentage allocations in the models may change due to intervening market movements and/or authorized exchanges, but remain consistent with the guideline investment objective. Tactical Monitoring combines Advisor’s subjective review, control, and implementation of a analyses provided by AdvisorGuide, an independent and unaffiliated entity that measures daily price movements of portfolio securities and/or other research services. Advisor will deliver performance report(s) to the Client on the schedule specified by the Client in the advisory agreement. The custodian of accounts under Tactical Monitoring will provide account statements directly to the Client. Services are offered under an Asset Management Advisory Agreement.

Assets with **Schwab Managed Account Select Program** are charged a program fee (Wrap Program) as detailed in the Schwab Managed Account Select application and agreement. Assets with **Schwab Managed Account Marketplace Program** are charged separately by Schwab for brokerage and custody services, and by the Money Manager as detailed in the Advisory Agreements. In both programs a separate fee is charged by KMS for portfolio monitoring and consulting. With written notice, Clients may terminate these contracts at any time. Services are offered under Advisory Services Agreement/Schwab Managed Account Program.

Assets with **TD Ameritrade Institutional Managed Account Placemark Programs** are charged a program fee as detailed in the TD Ameritrade Placemark application and agreement. Accounts may be managed through a variety of investment options which are selected by the Client based on their investment objectives, time horizon, income needs

and risk tolerance. Assets with TD Ameritrade Managed Account Placemark Program are charged separately by TD Ameritrade for brokerage and custody services and by the Money Manager through Placemark as detailed in the Advisory Agreements. For this program a separate fee is charged by KMS for portfolio monitoring and consulting. With written notice Clients may terminate these contracts at any time. Services are offered under Advisory Services Agreement/Placemark Account Program.

SubAdvisors: KMS has agreements with other Registered Investment Advisors to provide KMS Clients with investment advisory services, research, and advice. KMS remains the Client relationship manager and investment advisor, and shares fees with the SubAdvisor. Services are offered through the appropriate KMS advisory agreement. SubAdvisors generally manage such accounts on a discretionary basis. Clients under SubAdvisor relationships receive statements from the various custodians who hold the accounts as well as reports from the SubAdvisor.

KMS offers SubAdvisor services through Raymond James & Associates, Inc., SEI Trust Co., SNW Asset Management, LLC, Lesa Sroufe & Co., Inc., and Runde & Co. Clients entering into a SubAdvisor relationship through KMS should receive the SubAdvisor's Brochure. KMS encourages Clients to thoroughly review these documents. Clients may also review information on the SubAdvisors via the SEC's web site, www.adviserinfo.sec.gov.

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

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

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

Ladenburg Funds

LTAM is the investment adviser to five funds collectively called the "Ladenburg Funds." The five Ladenburg Funds are Ladenburg Income Fund, Ladenburg Income & Growth Fund, Ladenburg Growth & Income Fund, Ladenburg Growth Fund, and the Ladenburg Aggressive Growth Fund. Each of the Ladenburg Funds is an open end fund of funds that primarily invests in a combination of equity, fixed income and alternative strategy exchange traded funds ("ETFs"), exchange traded notes ("ETNs") and mutual funds (together, "Underlying Funds" or "Fund(s)"). The Funds employ the same investment strategies and features as the ones LTAM employs in managing separate client accounts in in the Ladenburg Asset Management Program ("LAMP").

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

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

Ladenburg American Funds® Core Portfolios: LTAM's Ladenburg Asset Management Program ("LAMP") manages the Ladenburg American Funds® Core Portfolios. Accounts utilizing these strategies will have a target allocation of 63% American Funds mutual funds, 35% Ladenburg mutual funds and 2% in cash. LTAM will evaluate the portfolios for rebalancing back to the target allocation at least annually or based on extreme market conditions. The mutual funds that are selected for these strategies are within the universe of American Funds mutual funds and based on due diligence conducted by LTAM on a variety of performance measures. LTAM periodically reviews each strategy to remove or replace those mutual funds that no longer meet the qualifications necessary for inclusion in the strategies. Because fund expenses will vary, what clients pay will not, and LTAM controls the allocation to the mutual funds and rebalancing used within the strategy, this represents a conflict of interest. KMS monitors and addresses this conflict of interest through client disclosure and ongoing account monitoring.

Boyar Value Fund: LTAM owns 50% of Ladenburg Thalmann Fund Management who is the manager of the Boyar Value Fund (BOYAX) which is advised by Boyar Asset Management. Ladenburg Thalmann & Co. Inc. is also the distributor of the fund and may receive commissions when executing trades on behalf of the fund and there is a conflict of interest when LTAM or its affiliates recommend the fund.

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

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

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

LTAM SYMBIL Solicitor Program

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

Third Party Advisors: Third Party Advisors provide various services described in their marketing materials and contracts. A KMS Advisor may recommend a Third Party Advisor and/or may recommend a particular investment objective or category offered by that Third Party Advisor. In most Third Party Advisor programs the KMS Advisor acts as a solicitor and works directly with the Client to select and monitor the desired services. The Third Party Advisor will provide money management services and reporting. Clients receive statements from the various custodians who hold their account(s). Clients entering into a Third Party Advisor relationship through KMS should receive the Third Party Advisor's Brochure. KMS encourages Clients to review these documents. Clients may also learn more about the Third Party Advisor via the SEC's web site www.adviserinfo.sec.gov.

Item 5 – Fees and Compensation

In the course of providing advisory services to Clients, KMS and Advisor receive advisory fees as described in the relevant advisory contract. LTFS and/or KMS may receive additional compensation as described in Sections 12 and 14.

Financial Planning and Consulting Services Fees are charged as an hourly fee, project fee or ongoing annual consulting fee depending upon the complexity of the Client's financial situation or the level of services desired. Fees may be partially or fully payable in advance, with the balance payable upon delivery of the plan (if applicable) or completion of the agreed service(s). Fees are negotiable depending upon services offered by Advisor.

Retirement Plan Consulting Fees are negotiable depending upon services offered by the Advisor. Fees are payable as described in the relevant advisory agreement. With written notice, Clients may terminate the advisory agreement at any time and receive a full pro-rata refund of unearned fees.

KMS Advisor Asset Management Services Fees are generally based at or below the following schedule. Rates may be negotiated:

Portfolio Monitoring and Consulting Services

<u>Portfolio Assets Valued At:</u>	<u>Annualized Fee</u>
On the first \$100,000	1.75%
On the next \$150,000	1.50%
On the next \$250,000	1.25%
On the next \$500,000	1.00%
On amounts over \$1,000,000	0.75%

Portfolio Monitoring and Consulting fees are generally calculated and payable quarterly, in advance, based on the portfolio value as of the last business day of the prior time period. Some contracts call for different billing cycles (monthly, semi-annually or annually) and/or charge in arrears, that is, at the end of the billing cycle. KMS will deduct the fee from the account or, depending upon the custodial platform, the Client may be issued an invoice and remit check payment. With written notice, Clients may terminate these contracts at any time and receive a full pro-rata refund of unearned fees. Fees are negotiable and may be higher or lower than the standard schedule depending upon services provided by Advisor. Individual Advisors may impose a minimum account size and/or minimum fee. Services are offered under an Asset Management Advisory Agreement.

KMS and Advisors charge investment advisory fees to manage assets as detailed in investment advisory agreements. KMS Advisors will recommend and purchase mutual funds in advisory accounts. To the extent Clients own mutual funds; Clients will incur advisory fees along with those advisory fees borne by the mutual fund. Clients also incur brokerage and transaction costs, in addition to any advisory fee, unless a wrap account is chosen. (Please also see Item 12, discussing brokerage practices.) Information on brokerage and transaction costs is made available by each custodian (broker-dealer). For advisory accounts held at Schwab, TD Ameritrade or Fidelity, KMS is not the broker-dealer and neither KMS nor Advisor receives 12b-1 fees ("Trails") or any portion of commissions or transaction charges for accounts custodied with Schwab, TD Ameritrade, or Fidelity. However, KMS and LTFS may receive marketing allowances and revenue sharing from Strategic Partner mutual fund companies. These amounts are not shared with the KMS Advisor making recommendations or managing the account, but in some cases may reduce transaction charges to clients for accounts held with KMS as the broker-dealer.

As noted above, KMS Advisors offer investment advisory accounts custodied at three other broker dealers: Schwab, TD Ameritrade and Fidelity. Some mutual funds pay Trails and some do not. For KMS advisory accounts held at Schwab, TD and Fidelity, KMS does not earn any Trails from any funds that pay such fees to the broker-dealer on the account. However, KMS and Advisors will earn Trails for advisory accounts held at Pershing which constitutes a conflict of interest since it creates a potential incentive for KMS and Advisor to select Pershing as the custodian for its advisory accounts. Generally, if the same mutual fund offers different share classes, the fund that does not pay Trails offers lower expenses which means a more advantageous return to the shareholder. KMS Advisors will recommend in some, but not all cases, mutual funds that pay Trails to the broker-dealer on the account. Trails, generally 0.25% (annually) of the mutual fund value paid quarterly, can be higher or lower depending upon the specific mutual fund company, share class, or trading platform. To the extent Clients own Trail-paying mutual funds, Clients bear the costs of such Trails (through the net asset value of the mutual fund) and KMS and Advisors receive the Trail revenue that accrues, if any. KMS monitors and addresses this conflict of interest in a variety of ways: through Client disclosure, initial limitations on the standard advisory fee schedule or negotiating lower fees, payment of Trails to Client accounts, providing additional discounts, and/or reducing advisory fees by Trails received. Clients can also choose to purchase recommended securities through other broker-dealers or agents.

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

KMS as SubAdvisor to Other Registered Investment Advisors: In the event that KMS is engaged to provide SubAdvisor investment advisory services, research and/or advice to an independent Registered Investment Advisor (“RIA”), KMS will receive compensation based on a percentage of the assets under management for which KMS is providing advisory services, payable quarterly in advance. Clients of the independent RIA receiving KMS SubAdvisor advisory services which terminate the services of the independent RIA will receive a pro-rata refund of unearned fees through a refund to the independent RIA.

Tactical Monitoring Services Fee Schedule

<u>Portfolio Assets Valued At:</u>	<u>Annualized Fee (at or below)</u>
On the first \$250,000	1.00%
On the next \$250,000	0.75%
On amounts over \$500,000	0.50%

Tactical Monitoring Service Fees are calculated and payable quarterly, semi-annually, or annually in advance, based on portfolio value as of the last business day of the prior time period. With written notice, Clients may terminate the service and receive a pro-rata refund of any unearned portion of fees paid. Client and Advisor may agree to an adjustment in the above fee schedule, contemplating the conflict of interest associated with any expected Trails or other disclosed compensation, which could be as high as 1% per year. Services are offered under a Tactical Monitoring Advisory Services Agreement or Asset Management Advisory Agreement.

SubAdvisor Fees: In addition to the KMS fee arrangement, SubAdvisors charge separate fees for the services provided. The fee schedules for each SubAdvisor are detailed below. Fees are calculated and payable quarterly either in advance or in arrears, based on the portfolio value as of the last business day of the prior time period. With written notice, Clients may terminate these contracts at any time and receive a full pro-rata refund of unearned fees. Client and Advisor may agree to an adjustment in the fee schedules detailed below.

Raymond James & Associates, Inc. (Asset Management Advisory Agreement) *

<u>Portfolio Assets Valued At:</u>	<u>Annualized Fee</u>
On the first \$1,000,000	1.60%
On the next \$1,500,000	1.20%
On amounts over \$2,500,000	0.80%

* Accounts are held at Pershing

SEI Investments Asset Allocation Portfolios (Asset Mgmt. Adv. Agreement–SEI Asset Allocation)*

<u>Portfolio Assets Valued At:</u>	<u>Annualized Fee</u>	
On the first \$250,000	1.50%	* Accounts are held at
On the next \$250,000	1.25%	SEI Trust Company
On the next \$500,000	1.00%	
On the next \$1,000,000	0.75%	
On amounts over \$2 million	0.50%	

SNW Asset Management, LLC (Asset Management Advisory Agreement)

0.30% if the account has less than \$2,500,000, 0.25% if the account has more than \$2,500,000.

If an account has more than \$50,000,000 assets under management, the fee is negotiable.

Accounts are held at Pershing or at Schwab.

Lesca Sroufe & Co. (Asset Mgmt. Advisory Agreement, Client Service & Referral Agreement) *

<u>Portfolio Assets Valued At:</u>	<u>Annualized Fee</u>	
On the first \$100,000	1.75%	* Accounts may be held at
On the next \$150,000	1.50%	Pershing or Schwab
On the next \$250,000	1.25%	
On the next \$500,000	1.00%	
On amounts over \$1 million	0.75%	

Runde & Co. (Asset Management Advisory Agreement)

0.50% on the portfolio assets valued on the last business day of the prior quarter. This rate may be subject to a minimum annual fee of \$2,500.

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

- **Fund Management:** The Alternative Strategies Fund pays LTAM a management fee quarterly in arrears which are equal to a maximum of 0.75% per annum of the assets in the fund. The Ladenburg Funds pay LTAM a management fee monthly in arrears, which is equal to a maximum of 0.50% per annum of the assets of the Fund. For more information, see the Funds' prospectuses.
- **CIT Management:** The Ladenburg Total Portfolio Series pays LTAM an investment management fee monthly in arrears which is equal to a maximum of 0.30% per annum of the assets in the CITs.
- **Ladenburg Thalmann High Income Portfolio (UIT):** In addition, KMS, as a broker-dealer affiliated with LTAM, and KMS Advisors, will receive a portion of a dealer concession or agency commission in connection with units of the Ladenburg Thalmann High Income Portfolio UIT that they sell, if those units are subject to a sales charge. A higher concession percentage will be received by KMS if certain total sales levels of the UIT are met, as set forth in the UIT prospectus. Although, KMS will not receive a concession on the sale of UIT units to KMS advisory accounts because the sales are not subject to a sales charge, units sold to advisory accounts will count towards these sales levels. Thus, KMS has a conflict of interest in recommending sales of the UIT. For a license to use the Ladenburg name and for providing a list of securities, LTAM receives a

licensing fee of 0.10% per annum, which is based on assets raised within Ladenburg Thalmann High Income Portfolio (UIT) during the offering period.

- **Principal Transactions:** Clients may purchase securities through KMS in initial public offerings, and/or secondary offerings (“new issues”). If LTCO acts as an underwriter or manager or as a member of the selling group for such offerings, it will receive compensation equal to either all or a portion of “gross spread” (the difference between the price the Client pays for the security and the price at which LTCO purchased the securities). The advisory fee is not reduced to offset this new issue securities compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

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

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

Third Party Advisor Fees: Third Party Advisors’ fee schedules vary and are published in their own contracts and disclosure documents, including their respective Form ADV Part 2A Brochures. Fees are calculated and payable quarterly, either in advance or in arrears, depending upon the Third Party Advisor. With written notice Clients may terminate these contracts at any time, and, if fees were paid in advance, receive a pro-rata refund of any unearned portion. Depending on the Third Party Advisor, fees may be negotiable within pre-established limits.

Item 6 – Performance-Based Fees and Side-By-Side Management

KMS does not have any performance-based fee structures or side-by-side management offered directly by KMS Advisors. However, some Third Party Advisors available through KMS may offer performance-based fee structures as disclosed in their ADV and agreements. In situations where KMS receives a portion of the asset management fee as disclosed in a solicitor arrangement, to the extent they include performance-based fees earned by the Third Party Advisor, KMS would be indirectly participating in performance-based fees. Information regarding any potential conflict of interest by offering performance-based fees is available in the Third Party Advisor’s Brochure.

Item 7 – Types of Clients

KMS Advisors provide advisory services and investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, businesses and government entities. ERISA Plan Clients are provided with disclosure documents, which provide information about KMS’ qualifications, business practices and potential conflicts of interest that may be important for any ERISA Plan to consider. If you are a Named Fiduciary for an ERISA Plan and you have not received such disclosure documents, please contact your Advisor or KMS.

Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

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

KMS is a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. (“LTFS”). As such, KMS may execute trades on behalf of Clients who receive advisory services from LTAM. KMS receives compensation for these brokerage services.

Other companies that are owned by LTFS and thus affiliated with KMS are:

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

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

KMS' affiliate, LTAM, owns 50% of Ladenburg Thalmann Fund Management, LLC, (“LTFM”), which is a registered investment adviser. LTFM is an adviser to an open-end registered investment company, the Boyar Value Fund, Inc. This fund is an open-end diversified management investment company. LTCO is the distributor of the fund. KMS Advisors may recommend Clients invest in the Boyar Value Fund or in the Alternative Strategies Fund and Ladenburg Funds, for which LTAM acts as investment adviser, and LTCO acts as distributor. KMS Advisors may recommend the Ladenburg Thalmann High Income Portfolio or the Ladenburg Total Portfolio Series. If a Client purchases such securities, LTAM and KMS will receive compensation, which constitutes a conflict of interest.

As described in Item 4 (Advisory Business), LTAM manages Ladenburg American Funds® Core Portfolios which include a target allocation of 35% to affiliated mutual funds for tactical asset allocation purposes. LTAM, the manager of the Ladenburg Funds, does not receive any portion of the Wrap Fee. However, LTAM receives an internal management fee from the funds. LTAM is not affiliated with the American Funds.

KMS Advisors may also operate companies or offer services independent of KMS. These unaffiliated companies or services may include other investment advisory firms, accounting or tax practices, insurance services, pension consulting services, and legal services, among others. These independent products or services can create conflicts of interest insofar as they may create incentives for Advisors to recommend those products or services. KMS routinely reviews these “outside businesses” and also mitigates this conflict through Client disclosure. Clients should discuss these potential conflicts of interests with their Advisor to determine if an advisory relationship is appropriate, given their particular situation. Also, please note that KMS as an RIA has a material conflict of interest in using itself as Broker-Dealer. Please also see Items 4, 5, 12 and 14.

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

Bank Deposit Sweep Program (BDSP)

Managed accounts custodied with Pershing have a core account investment vehicle that is used for settling securities transactions and holding credit balances. The BDSP, an FDIC-insured bank deposit sweep program, is one such core account investment vehicle.

If you are eligible¹ for the BDSP, by opening your Pershing account you authorize KMS to establish the BDSP as your core account investment vehicle. If your account is not eligible for the BDSP, we can provide you with access to other core account investment vehicles, including money market funds, to hold a cash balance awaiting reinvestment. Different core account investment vehicles can have different rates of return and different terms and conditions such as FDIC insurance or SIPC (Securities Investor Protection Corporation) protection. For more information on FDIC insurance, please consult www.FDIC.gov.

Available cash in your eligible Pershing managed account is deposited through the BDSP into interest-bearing FDIC-insured deposit accounts at one or more FDIC-insured depository institutions (Program Banks). The list of Program Banks and current interest rates for Program deposits are available from your Advisor or at https://www.kms.com/clients/bank_deposit_sweep_program.aspx

The BDSP will create financial benefits for our firm and our affiliates and for Pershing. Our firm will receive a fee from each Program Bank in connection with the respective Programs, based on the value of the cash in the program. We will also pay a fee to Pershing. Our fee will reduce the amount of interest that clients receive in connection with cash held in their accounts. These financial benefits create a conflict of interest in circumstances where we earn more money from recommending you maintain a Pershing account instead of an account with a different custodian or a non-brokerage option. We mitigate this conflict through this disclosure to you, through making available other custodial options, by making a non-FDIC Insured cash account available in lieu of a BDSP (Pershing Cash), and by not sharing the associated revenue from the BDSP with the Advisors who recommend Pershing brokerage accounts.

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

¹ Your representative can assist you in determining whether your account is eligible for the BDSP.

Generally, if your Pershing account is otherwise eligible, but you do not wish to use the BDSP as your account's core investment vehicle, you may either elect not to use a BDSP and use Pershing Cash or choose not to maintain your Pershing account with KMS. You are not obligated to use any of our Pershing managed accounts and can select a managed account at another broker/dealer where similar compensation arrangements may not exist.

The Advisor will not receive any portion of the BDSP with respect to cash in certain retirement accounts. In such cases, the fee will be retained by the custodian. For more information, see the disclosure document available through an Advisor or at: https://www.kms.com/clients/bank_deposit_sweep_program_disclose.aspx

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

Item 11 – Code of Ethics and Personal Trading

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

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

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

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

Item 12 – Brokerage Practices

KMS Advisory accounts may be held at the following custodians: Pershing LLC, Charles Schwab & Co., Inc. ("Schwab"), Fidelity Institutional Wealth Services ("Fidelity"), or TD Ameritrade, Inc. ("TD Ameritrade"). All custodians assess transaction-related charges for various services such as brokerage commissions, confirmation delivery, exchanges within a mutual fund family, and early redemptions. The costs can vary depending on a number of factors including but not limited to: type of security, transaction size, and trade entry method. To obtain the current trade and account fee schedules, contact your KMS Advisor.

When evaluating custodians to recommend to Clients, KMS Advisors consider a number of factors including costs to Clients for brokerage and other services, and products and services custodians offer that will assist the Advisor in managing and administering Client accounts. While these products and services benefit KMS and KMS Advisors, they may not necessarily benefit every KMS Client directly. Services and products that KMS Advisors actively consider and evaluate include but are not limited to: software and other technology that provide access to client account data

(such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregate trade orders for multiple accounts), provide research and market data, facilitate KMS' management fee payments from Client accounts, assist with back-office functions, and recordkeeping and Client reporting. Many of these services may be used to service all or a substantial number of KMS accounts, including accounts not maintained on the platform that provides the services. KMS Advisors also evaluate services available that are intended to assist them in managing and developing their business enterprises. These services include consulting, practice management resources, information technology, business succession planning, regulatory compliance, and marketing.

KMS Advisors' recommendations or requirements that Clients maintain their assets in account at a particular institution may be based in part on the benefit to the KMS Advisor of the availability of some of the products and services listed above and not solely on the nature, cost or quality of the custody and brokerage services provided by the custodian, which constitutes a conflict of interest.

For advisory accounts custodied at Pershing, KMS acts a broker-dealer. As such, it determines and receives service and transaction-related charges (commissions, confirmation fees, etc.) for executing securities trades. These sources of revenue to KMS largely offset KMS' direct clearing costs and KMS' indirect costs of trade execution services. Additionally, if transaction volume of all KMS accounts (advisory and non-advisory) reaches certain monthly thresholds, Pershing will reduce KMS' clearing costs for that month. KMS' receipt of this revenue and the possibility KMS may be able to negotiate its amount or KMS' retention, constitutes a conflict of interest. To monitor and address these conflicts of interest, KMS does not incentivize (or disincentivize) Advisors to execute trades because Advisors do not share in the revenue (or costs) associated with the trades. Additionally, KMS reviews trading activity, comparing it to account investment objectives, trading strategy and overall suitability. Clients retain overall control of their accounts including their choice of custodian and program.

KMS participates in Pershing's FUNDVEST® no transaction fee mutual fund platform which offers Clients no-load (and load-waived) mutual funds with a waiver of the standard transaction charge, subject to certain restrictions on short term trading. In lieu of transaction-based commissions, KMS is eligible to receive revenue based on the assets in the FUNDVEST® platform. KMS does not share FUNDVEST® revenue with Advisors. Such revenue relates to KMS' cost of providing such services, but receipt of this revenue constitutes a conflict of interest. KMS addresses this conflict by not sharing the revenue it earns from FUNDVEST® with the Advisors who recommend or direct the trading, and by monitoring all trading activity and related costs to Clients.

KMS participates in the BDSP, noted above in Section 10. The receipt of revenue from this program constitutes a conflict of interest. It incentivizes KMS to recommend brokerage accounts through Pershing to obtain this revenue, rather than recommend a custodian based on your interest in receiving the most favorable execution. KMS addresses this conflict by not sharing the revenue it earns from the BDSP with the Advisors who recommend or maintain Pershing accounts, through making alternative advisory custodians available for Advisors to recommend and clients to select, by making Pershing Cash available, through regular review of the various custodial options, and through this disclosure to you.

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

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

Partner Program

Investment Company (mutual fund) and Variable Annuity Sponsors participating in the Partners Program currently include:

AIG/Sunamerica Annuities, Allianz Global Investors, Allianz Life Annuities, American Funds, Athene Annuity, AXA Annuities, Blackrock Funds, Brighthouse Financial, Charles Schwab Investment Management, CUNA Mutual Group Annuities, Cedar Capital Mutual Funds, Deutsche Asset and Wealth Management, Fidelity Advisor Funds, First Investors Funds, , Franklin Templeton Distributor, Global Atlantic, Great West, IronHorse Capital, Invesco, Ivy Investments, Jackson National, , John Hancock Investments, JP Morgan Asset Management, Lincoln Financial , Lord Abbott Funds, , Nationwide Annuities, Newfound Research, Nuveen, Ohio National Annuities, Oppenheimer Funds, Pacific Life Annuities, Pacific Life Mutual Funds, PIMCO Funds, Pioneer Investments, Principal Global Investors, Princeton Funds, Prudential Annuities, Prudential Investments, Putnam Investments, Sammons Retirement Solutions, Security Benefit Annuities, SEI Advisor Network, Sierra Investment Management, Swan Global Investments, Transamerica Annuities, and Voya Annuities..

Best Execution: KMS as an investment advisor seeks “best execution” for Client transactions.. Based on these principles, KMS periodically reviews the totality of custodial service packages offered by the four broker-dealers (custodians) it currently uses: Pershing, Schwab, TD Ameritrade and Fidelity. The review includes but is not limited to: the technology trading platform, ancillary services, block trading capability, trade error resolution, service response time, reporting, commission and fee structures. Accordingly, while KMS does consider the costs of trading, not all transactions result in the lowest possible commission rates for Client account transactions. Also, for accounts held at Pershing with KMS as the broker-dealer, some conflicts of interest exist as described in Item 5 - Fees and Compensation, Item 12 - Brokerage Practices and Item 14 - Client Referrals and Other Compensation

As discussed in other portions of this document, in reviewing and approving certain brokerage platforms, allowing representatives to receive 12b-1 fees or commissions in addition to an advisory fee, allowing the FundVest program for clients, and retaining some ability to negotiate receipt of brokerage related revenue, KMS incentivizes use of those brokerage platforms and creates a conflict of interest. KMS mitigates this conflict of interest through Client disclosure, regular review of Pershing as a primary brokerage platform with KMS as broker-dealer to assure they remain competitive, given myriad parameters, and makes available competitive competing advisory platforms where KMS does not act as broker-dealer, review its activities, or negotiate its revenue.

Clients should consider that although KMS engages in analysis to offer high quality trading platforms to clients, it has chosen not to offer an unlimited number of platforms. The currently available platforms are disclosed within this brochure. In light of KMS’ limited approved trading platforms for KMS advisory accounts and the fact that only some of the approved trading platforms may accommodate the investment strategy recommended by the Client’s KMS Advisor, KMS Advisors are limited in their ability to obtain the best execution price and lowest execution costs for each transaction or the product with the lowest internal expenses. Therefore, KMS recommends that Clients compare and discuss with their Advisor their anticipated trading patterns and costs and compare those to other non-KMS approved vendors. Clients may pay higher commissions or trade execution charges through the trading platforms approved by KMS than through platforms that have not been approved by KMS as trading platforms for investment advisory accounts. Not all Investment Advisors restrict or limit the broker-dealer their clients can use and may permit them to select any broker-dealer.

Share Class Selection: In certain instances multiple share classes of the same mutual fund may be available for investment, with one share class charging higher ongoing expenses and the lower cost shares may be subject to higher minimum purchase amounts. In some cases brokerage and clearing transaction fees are waived when using the higher cost share class. You should discuss with your Advisor whether lower cost share classes are available and/or are appropriate given the expected holding period and the amount invested. Your KMS Advisor may select or recommend a fund share class that pays Additional Compensation even when you are eligible to own a lower cost share class. When KMS is acting as the broker-dealer some higher expense funds pay KMS additional compensation (12b-1 trails, Partner Program revenue sharing, FUNDVEST® revenue discussed above) which represent conflicts of interest. KMS addresses these conflicts a variety of ways, which include additional disclosure and in some cases by providing reduced brokerage charges, fee adjustments or account credits.

Trade Aggregation: On some occasions a KMS Advisor will execute Client transactions on a block or aggregate basis. This involves entering one large trade and allocating shares among multiple Client accounts. This may facilitate more timely execution as well as a more equitable and efficient approach to achieving favorable price execution for a group of Clients. KMS allows each Advisor to choose to engage in block trading in a manner consistent with industry

standards and KMS policies. Clients participating in any such block or aggregated transactions will receive an average share price on a pro-rata basis.

Trade Allocation: KMS' trade allocation policies and procedures call for fair and equitable allocation of trades among accounts with no particular Client(s) or groups of Clients being favored or disfavored. Generally an Advisor must identify a given block trade allocation before that trade is entered. If the trade is filled as entered, the Advisor must allocate according to the pre-determined block. If issues arise that prevent the allocation pursuant to the pre-determined block, the Advisor will seek KMS approval to allocate the shares in a fair and equitable manner and document the rationale for doing so.

Trade Errors: KMS has the responsibility to execute orders correctly, promptly, and in the best interest of its Clients. If an error occurs due to KMS or Advisor's action or inaction, KMS' will seek to promptly identify and correct such error without disadvantaging the Client(s) involved.

Item 13 – Review of Accounts

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

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

Item 14 – Client Referrals and Other Compensation

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

Other Compensation for Non-advisory Business: As discussed in Item 10 – Other Financial Industry Activities and Affiliations, Advisor may also recommend that a Client buy (or sell) a security or insurance product outside the context of the advisory account(s). If a Client decides to buy or sell a security or insurance product, KMS and Advisor may be paid a commission (including mark-up or mark-down) on those transactions. In these circumstances KMS and Advisor would have a financial interest in the transaction which constitutes a conflict of interest. Generally the Advisor will disclose the amount of compensation at the time a recommendation is made by delivering the relevant prospectus or the equivalent. Clients are under no obligation to purchase securities or insurance products through KMS or the Advisor.

LTCO acts as a dealer with respect to certain securities, and as such, may execute transactions for KMS Clients as principal. As a dealer, LTCO may receive a "mark-up," "mark-down," and / or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation that client pays to KMS and its affiliates under the Program. Thus, KMS has a conflict of interest in deciding to execute trades through LTCO on a principal basis. KMS addresses this conflict in the following ways. After receiving disclosures about a specific principal transaction with LTCO, Clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, KMS has policies and procedures in place to assure that Clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer (see Item 12 – Brokerage Practices).

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

As discussed in Item 10 – Other Financial Industry Activities and Affiliations, Advisors may also engage in other businesses outside of KMS and recommend that a Client purchase such a product or service outside of the context of the advisory account(s) (“Recommendations”). Such activities are disclosed to Clients via the attached 2B Brochure Supplement. To the extent those Recommendations create compensation for an Advisor and involve using funds from the advisory account(s), the Advisor would have a financial interest in the transaction that may constitute a conflict of interest. KMS does not share in this compensation. KMS encourages Clients to inquire with their Advisor about this possible conflict before accepting any Recommendations.

Other Compensation in General: KMS hosts **several conferences** for its Advisors, discussing timely topics about products, services, investment strategies, KMS procedures, and practice management. Various sponsors attending the conference may pay KMS a fee, which helps defray a portion of KMS’ cost of hosting the conference. This type of cost sharing is a typical practice in the industry. KMS, as a participant in LTFS affiliates Partner Programs, will receive additional financial support for conferences from Partner Program Mutual Fund, Variable Annuity, Third Party Advisors, Non-traded product sponsors, as well as clearing firms and custodians. Further description of the LTFS additional compensation and reimbursement program sponsors is made available at www.kms.com, but the direct or indirect receipt of such assistance constitutes a conflict of interest. KMS addresses this conflict by not sharing the revenue it receives through LTFS Partner Programs with the Advisors who recommend or direct the trading, and by monitoring all trading activity and related costs to Clients.

Third party advisory firms, mutual fund, variable annuity or other product sponsors and custodians may offer KMS or KMS Advisors **financial assistance** in the form of marketing reimbursements, complimentary or discounted technology platforms and/or due diligence trips. Marketing reimbursement allows a third party advisor to help KMS Advisors grow their client base. Marketing reimbursements are for documentable expenses and do not exceed the cost of the item. Third party advisors provide support for due diligence and educational trips to educate and train KMS Advisors (and KMS home office staff) about that firm’s services and tools. These reimbursements do not exceed the cost of attending the trip or meeting. Further, any technology (or technology support) provided is either a tool required for the Advisor to (efficiently) deliver the service under the advisory contract or it is merely a discount off the “retail” price of the particular technology which assists the Advisor in servicing Clients. The level of these forms of support is typical in the industry and modest relative to the total value of services rendered. KMS Advisors are prohibited from promoting or recommending any investment, including those issued by fund families, insurance carriers, or sponsors, over another based solely on additional payments or other considerations that might be received from the recommendation, sale or marketing of their products. KMS Advisors are required to make recommendations to clients based on the clients’ needs and objectives; however, receipt of such reimbursements could create an incentive by your KMS Advisor to recommend products that provide such assistance to them or payments to KMS (or LTFS). We encourage you to talk with your KMS Advisor about any compensation they receive from product sponsors.

Other Compensation on KMS Advisor Asset Management Accounts Held at Pershing

For Advisor Asset Management accounts held at Pershing, KMS is also the broker-dealer of record and in addition to the advisory fee specified in agreements with Clients receives compensation associated with such accounts. This compensation is discussed above in Item 12-Brokerage Practices.

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

KMS participates in the BDSP, noted above in Section 10. This revenue constitutes a conflict of interest. KMS addresses this conflict by not sharing the revenue it earns from the BDSP with the Advisors who recommend or maintain Pershing accounts, through making alternative advisory custodians available for Advisors to recommend and clients to select, by making Pershing Cash available, through regular review of the various custodial options, and through this disclosure to you.

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

For accounts held at Pershing, KMS will receive from Pershing a portion of the IRA maintenance fee Clients pay to Pershing, a portion of the confirmation fee on transactions as well as a portion of service fees for miscellaneous services, such as corporate actions, bond maturity, and wire transfers, etc. KMS discloses those charges annually on the Pershing account statement.

Item 15 – Custody

According to SEC rules and regulations, KMS is deemed to have “custody” of Client investment advisory accounts. KMS has procedures to ensure all Client funds and securities are held at a qualified custodian (Pershing, Schwab, Fidelity or TD Ameritrade) in a separate account under that Client’s name. Clients must establish any accounts in written documents and therefore are aware of the qualified custodian’s name, address and the manner in which the funds or securities are maintained.

Qualified custodians send account statements directly to Clients at least quarterly. Clients should carefully review those statements. When Clients have questions about their statements, they should contact their KMS Advisor or the qualified custodian. Clients may also receive reports regarding their accounts from their KMS Advisor. Clients are urged to compare any reports generated by a KMS Advisor against the account statements sent by the qualified custodian.

In accordance with SEC regulations, KMS is subject to an annual surprise verification examination, the purpose of which is to verify that the funds and securities of which KMS has custody actually exist and are located at the applicable qualified custodian. The annual surprise verification examination is performed by a third-party accounting firm that is not affiliated with KMS.

Please note that payment for fees, securities and any other items cannot be made payable to a KMS Advisor, their staff members or entities owned by the KMS Advisor. Payment for securities and for funding an account must be made payable to the account’s qualified custodian or KMS. The qualified custodian for a KMS Client account will never be a KMS Advisor.

Item 16 – Investment Discretion

Depending on the nature of the advisory relationship, a Client may decide to grant investment discretion to his or her KMS Advisor, Subadvisor, or Third Party Advisor. Investment discretion granted to a KMS Advisor is limited to the

selection of the securities to be bought or sold and the amount of the securities to be bought or sold and must be authorized in writing by the Client.

Item 17 – Voting Client Securities

Most KMS Advisors elect not to vote proxies on behalf of their Clients. Clients that have elected to vote their own proxies will receive these directly from the account custodian or a transfer agent. If an Advisor does elect to vote proxies on behalf of Clients, such Clients must authorize KMS and the Advisor to do so through the applicable account application, contract or agreement. The KMS Advisor will perform the necessary research regarding each issue, evaluate any costs involved, document the findings, and vote in the clients best interests. If there are any conflicts of interest, these conflicts will be disclosed to the Client and Client consent will be received prior to the proxy vote being submitted. If the Client would like to direct the proxy vote on a particular issue the Client should communicate their instructions to the KMS Advisor timely, in such that the Advisor can act upon the instructions. Clients may obtain a copy of the KMS Proxy Voting Policies and also may obtain information as to how proxies were voted on their behalf upon request.

Item 18 – Financial Information

KMS is required to provide Clients with certain financial information or disclosures about its financial condition. KMS has no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to you, and KMS has not been, nor does it expect to be, the subject of a bankruptcy proceeding.

KMS' Supervision of Barrigan Nelson

KMS is a broker-dealer (“BD”) and registered investment advisor (“RIA”) registered with the SEC. KMS is registered as a BD in 50 states and the District of Columbia (“DC”) and is positioned to act as an RIA in 50 states and DC. KMS offers financial products and services to the public through its registered representatives and RIA investment advisory representatives such as Barrigan Nelson.

KMS' Seattle home office supervises its Advisors through various systems and procedures. Casey Dougherty, Chief Compliance Officer, supervises KMS Advisors and manages other KMS employees who supervise KMS Advisors. If you have questions about KMS' supervision of Advisors, please contact KMS at (206) 441-2885.

Addendum to ADV Part 2B Supplement Brochure Information on Advisor's Professional Designation(s)

The **Certified Financial Planner™**, **CFP®** and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by the Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

Education - Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

Examination - Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.

Experience - Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).

Ethics - Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals. Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks.

Continuing Education - Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field.

Ethics - Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Additional information regarding this designation is available by contacting the CFP Board at www.CFP.net.

2B Brochure Supplement for Chad Campbell

The following information about Chad Campbell is a supplement to the KMS Form ADV 2A Firm Brochure, which comprises the first section of this document. If you do not have the first section of such Brochure, or if you have questions about the information in this 2B Brochure Supplement, please contact KMS' home office at (206) 441-2885. Additional information about Chad Campbell and KMS is available on the SEC's website at www.adviserinfo.sec.gov.

Contact & Biographical Information on KMS Advisor

Chad Campbell Capital Financial Planners, LLC 1640 Liberty St SE Salem, OR 97302	(503) 585-1067	Year of Birth: 1972
---	----------------	---------------------

Formal Education after High School

<u>Institution Name</u>	<u>Degree</u>	<u>Field of Study</u>
George Fox University	Bachelor	Religion

Professional Designations

<u>Designation*</u>	<u>Year Earned</u>
Certified Trust and Financial Advisor	2010

*This professional designation is described in an addendum to this 2B Brochure Supplement

Business Experience for the Previous Five Years or More

<u>Business Name</u>	<u>Dates</u>	<u>Position/Title</u>
KMS Financial Services	07/2013 – Present	Investment Advisor
Capital Financial Planners, LLC	02/2013 – Present	Financial Advisor
West Coast Trust Co., Inc.	04/2006 – 01/2013	VP, Trust Officer

Disciplinary Information

KMS is required to disclose all material facts regarding legal or disciplinary events that would be material to your evaluation of Chad Campbell. No events have occurred that are relevant to this requirement.

Additional Compensation

Chad Campbell receives a portion of the investment advisory fees earned by KMS as described in the applicable advisory services agreement. Chad Campbell does not receive additional compensation or economic benefit from other parties for providing investment advisory services except, in some cases, as described above in Item 14 - Other Compensation.

KMS' Supervision of Chad Campbell

KMS is a broker-dealer ("BD") and registered investment advisor ("RIA") registered with the SEC. KMS is registered as a BD in 50 states and the District of Columbia ("DC") and is positioned to act as an RIA in 50 states and DC. KMS offers financial products and services to the public through its registered representatives and RIA investment advisory representatives such as Chad Campbell.

KMS' Seattle home office supervises its Advisors through various systems and procedures. Casey Dougherty, Chief Compliance Officer, supervises KMS Advisors and manages other KMS employees who supervise KMS Advisors. If you have questions about KMS' supervision of Advisors, please contact KMS at (206) 441-2885.

2B Brochure Supplement for Danae Johnson

The following information about Danae Johnson is a supplement to the KMS Form ADV 2A Firm Brochure, which comprises the first section of this document. If you do not have the first section of such Brochure, or if you have questions about the information in this 2B Brochure Supplement, please contact KMS' home office at (206) 441-2885. Additional information about Danae Johnson and KMS is available on the SEC's website at www.adviserinfo.sec.gov.

Contact & Biographical Information on KMS Advisor

Danae Johnson 503-585-1067 Year of Birth: 1986
Capital Financial Planners, LLC
1640 Liberty Street SE
Salem, OR 97302

Formal Education after High School

<u>Institution Name</u>	<u>Degree</u>	<u>Field of Study</u>
University of Oregon	Bachelor	Business Administration

Business Experience for the Previous Five Years or More

<u>Business Name</u>	<u>Dates</u>	<u>Position / Title</u>
Capital Financial Planners, LLC	10/2008 - Present	Operations & Client Services Mgr.
KMS Financial Services, Inc.	01/2012 - Present	Investment Advisor Representative
KMS Financial Services, Inc.	01/2012 - Present	Registered Representative

Disciplinary Information

KMS is required to disclose all material facts regarding legal or disciplinary events that would be material to your evaluation of Danae Johnson. No events have occurred that are relevant to this requirement.

Other Business Activities Related to KMS

In addition to Danae Johnson's role as an Investment Advisory Representative of KMS, Danae Johnson is also a registered representative of KMS. As described in Item 10 (Other Financial Industry Activities and Affiliations), Danae Johnson, as a Registered Representative, may offer securities products and will receive compensation as a result of such transactions or services. This presents a conflict of interest because KMS and Danae Johnson have an interest in earning commissions that may be adverse to your interests. KMS monitors this conflict of interest through its broker-dealer supervisory and compliance review system.

Additional Compensation

Danae Johnson receives a portion of the investment advisory fees earned by KMS as described in the applicable advisory services agreement. Danae Johnson does not receive additional compensation or economic benefit from other parties for providing investment advisory services except, in some cases, as described above in Item 14 (Other Compensation).

KMS' Supervision of Danae Johnson

KMS is a broker-dealer (“BD”) and registered investment advisor (“RIA”) registered with the SEC. KMS is registered as a BD in 50 states and the District of Columbia (“DC”) and is positioned to act as an RIA in 50 states and DC. KMS offers financial products and services to the public through its registered representatives and RIA investment advisory representatives such as Danae Johnson.

KMS' Seattle home office supervises its Advisors through various systems and procedures. Casey Dougherty, Chief Compliance Officer, supervises KMS Advisors and manages other KMS employees who supervise KMS Advisors. If you have questions about KMS' supervision of Advisors, please contact KMS at (206) 441-2885.

Customer Privacy Notice

You are receiving this Customer Privacy Notice because our records indicate you are a customer of KMS Financial Services, Inc. (“KMS”), and your servicing representative is associated with KMS. The current KMS Financial Services Customer Privacy Notice is also available via www.kms.com.

Who is providing this notice ...
<p>KMS Financial Services, Inc. and its affiliates (collectively “KMS”). Our affiliates covered under this privacy notice include Ladenburg Thalmann Financial Services Inc. and its affiliated companies.</p> <p>Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing of your personal information. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully in order to better understand what we do.</p>

What is shared and why ...	
What?	<p>The personal information we collect and share depends on the product or service you have with us. The personal information may include:</p> <ul style="list-style-type: none"> • Social Security number, date of birth, and income; • Assets and investment experience; • Account transactions and retirement assets; and • Tax reporting and investment performance information. <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>
Why?	<p>To run their businesses effectively, all financial companies need to share customers’ personal information. The next section details the reasons financial companies can share customers’ personal information, when and why KMS chooses to share, and when you can limit the sharing.</p>

Reasons we share your personal information ...	Does KMS share?	Can you limit this sharing?
<p>For everyday business purposes: To administer, manage and service customer accounts, process transactions, and provide related services for your accounts, it is necessary for us to provide KMS-affiliated companies, and certain non-affiliated companies, access to customers’ personal information. We may share your personal information to process your transactions, maintain your account, respond to court orders and legal investigations, or report to credit bureaus or government entities; and with parent and affiliate companies of KMS including but not limited to:</p> <ul style="list-style-type: none"> • KMS’ parent company—Ladenburg Thalmann Financial Services Inc.—and Ladenburg’s affiliated companies; • Non-affiliated entities that perform services for us or function on our behalf (such as check-printing services, clearing broker-dealers, investment companies, and insurance companies); and • Third-party administrators and vendors for the purposes for providing current and future information on your account (such as transaction history, tax information, and performance reporting). 	Yes	No
<p>For our marketing purposes: To notify you about available products and services.</p>	Yes	No
<p>For affiliate marketing: Affiliate companies with which you do not have an existing relationship.</p>	Yes	Yes
<p>For non-affiliates’ marketing purposes:</p>	No	We Don’t Share

Reasons we share your personal information ...	Does KMS share?	Can you limit this sharing?
<p>For joint marketing with other financial companies:</p> <p>Federal and certain state laws give us the right to share your information with banks, credit unions, retirement plans, and other financial companies where a formal agreement exists between us to provide or market financial products or services to you. However, for marketing purposes, if your financial representative is not affiliated with a financial company, we will not share your information without your consent. However, we may share information with these financial companies (when necessary) to service your accounts.</p>	Yes	No
<p>For customers of financial institutions and KMS:</p> <p>If you are a customer of a bank, credit union, or other financial institution program with which we have a networking agreement (such as under a bank or credit union investment services program) and the financial institution terminates its relationship with us, we will permit the financial institution to retain copies of your personal information so your account can continue to be serviced at the financial institution. If you do not want the financial institution to disclose your personal information to another brokerage or investment advisory firm (“New Firm”), you may request that we and/or your financial institution limit the information that is shared with the New Firm.</p>	Yes	Yes
<p>For customers (clients) of registered representatives (financial advisors) and KMS:</p> <p>If your financial advisor terminates his or her relationship with us and moves to a New Firm, KMS or your financial advisor may disclose your personal information to the New Firm when your financial advisor terminates his or her relationship with us. You may request that KMS and your financial advisor limit the information shared with the New Firm.</p> <p>Your personal information may also be shared with certain entities that are owned, controlled by or affiliated with your financial advisor, such as an independent insurance agency, accounting firm or independent investment advisory firm.</p> <p>In the event your financial advisor (or his/her estate) agrees with an unaffiliated financial advisor to sell all or some portion of his/her securities, advisory or insurance business, your personal information may be shared with the acquiring financial advisor and his/her New Firm.</p> <p>If your primary address is in a state that requires your affirmative consent to share your personal information with the New Firm (such as California, Massachusetts, Maine, New Mexico, North Dakota, or Vermont), then you must give your written consent before we will allow your financial advisor to take any of your personal information to that New Firm.</p>	Yes	Yes

Process and protections ...
<p>How do KMS and its affiliates protect my personal information?</p> <p>To protect your personal information from unauthorized access and use, we use security measures that comply with applicable state and federal laws. These measures include computer safeguards and secured files and buildings.</p> <p>We train our employees and financial advisors in the proper handling of personal information. We require companies that help provide our services to you to protect the confidentiality of personal information they receive.</p>
<p>When do KMS and its affiliates collect my personal information?</p> <p>When you:</p> <ul style="list-style-type: none"> • Open an investment account or an advisory account; • Apply for insurance; • Seek advice about your investments; and/or • Provide information about your investment or retirement portfolio. <p>We also collect your personal information from credit bureaus, affiliates, and other companies.</p>

Process and protections ...

Why can't I limit all sharing?

Federal law gives you the right to limit:

- Sharing for affiliates' everyday business purposes (e.g., information about your creditworthiness);
- Sharing with affiliates who intend to use your information to market to you; and
- Sharing with non-affiliates who intend to market to you.

State laws and individual companies may give you additional rights to limit sharing.

Use and disclosure of health information ...

To the extent you provide health information to KMS for the purpose of applying for insurance products, such information will not be disclosed to non-affiliated companies for any purpose, except:

- To underwrite or administer your insurance policy;
- Related claims as required by law; or
- As authorized by you.

To limit our sharing ...

You may limit the sharing of your personal information ("Opt-Out") by calling KMS at (206) 441-2885.

Please note: When you are no longer a KMS customer, we continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.

If you decide to Opt-Out, your decision will be recorded as limiting the sharing of personal information for all applicable options. If you Opt-Out, your personal information will not be shared with: (i) your financial advisor's new broker-dealer in the event he or she leaves KMS or an affiliate and joins a New Firm or sells his/her securities, advisory, or insurance business to a non-affiliated company; (ii) affiliated entities of your financial advisor or any bank or credit union that your financial advisor is affiliated with; and (iii) affiliates of KMS that you do not already have an existing relationship with for the purpose of marketing products or services to you.

In addition, KMS and its affiliates (where applicable) have signed the Protocol for Broker Recruiting ("Protocol") which allows the financial advisor servicing your account to take certain limited information in the event he/she leaves KMS or an affiliate and joins another firm which has also signed the Protocol. The information your financial advisor can take is limited to your name, your address, your phone number, your email address, and the title of your account. If you choose to Opt-Out, KMS or an affiliate will notify your financial advisor of your decision to keep your personal information confidential and that you do not want your personal information shared by your financial advisor with his/her New Firm.

Questions?

Please contact your financial representative directly or KMS at (206) 441-2885.