BrokerCheck Report

KMS FINANCIAL SERVICES, INC.

CRD# 3866

When communicating online or investing with any professional, make sure you know who you're dealing with. Imposters might link to sites like BrokerCheck from phishing or similar scam websites, or through social media, trying to steal your personal information or your money.

Please contact FINRA with any concerns.

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**
- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.
- **Where did this information come from?**
- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.
- **How current is this information?**
- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.
- **What if I want to check the background of an investment adviser firm or investment adviser representative?**
- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at https://www.adviserinfo.sec.gov. In the alternative, you may search the IAPD website directly or contact your state securities regulator at http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414.
- **Are there other resources I can use to check the background of investment professionals?**
- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.
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Thank you for using FINRA BrokerCheck.

For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.

KMS FINANCIAL SERVICES, INC.

CRD# 3866

SEC# 8-15433

Main Office Location

2001 SIXTH AVE
SUITE 2801
SEATTLE, WA 98121-1866

Mailing Address

2001 SIXTH AVE
SUITE 2801
SEATTLE, WA 98121-1866

Business Telephone Number

206-441-2885

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

https://www.adviserinfo.sec.gov

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Washington on 11/21/1969.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA or a national securities exchange.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	12
Arbitration	3
Bond	2

Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.

Date firm ceased business:	11/06/2020
Does this brokerage firm owe any money or securities to any customer or brokerage firm?	No

Firm Profile

This firm is classified as a corporation.

This firm was formed in Washington on 11/21/1969.

Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

KMS FINANCIAL SERVICES, INC.

Doing business as KMS FINANCIAL SERVICES, INC.

CRD# 3866

SEC# 8-15433

Main Office Location

2001 SIXTH AVE
SUITE 2801
SEATTLE, WA 98121-1866

Mailing Address

2001 SIXTH AVE
SUITE 2801
SEATTLE, WA 98121-1866

Business Telephone Number

206-441-2885

Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any):	ADVISOR GROUP HOLDINGS, INC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	SHAREHOLDER
Position Start Date	05/2020
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	BRETON, BERNARD ANDRE 2030660
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF COMPLIANCE OFFICER
Position Start Date	03/2020
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	FORD, ERINN JUNE 2176816
Is this a domestic or foreign entity or an individual?	Individual
Position	PRESIDENT & CEO
Position Start Date	04/2019

Firm Profile

Direct Owners and Executive Officers (continued)

Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	HARRINGTON, LINDA LEE 4173014
Is this a domestic or foreign entity or an individual?	Individual
Position	VICE PRESIDENT OF ADVISORY COMPLIANCE
Position Start Date	08/2017
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	SIMS, JEFFREY SCOTT 3247374
Is this a domestic or foreign entity or an individual?	Individual
Position	CFO, PRINCIPAL FINANCIAL OFFICER, PRINCIPAL OPERATIONS OFFICER
Position Start Date	03/2015
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	ZELLERHOFF, MARK CHRISTOPHER

Firm Profile

Direct Owners and Executive Officers (continued)

	2853977
Is this a domestic or foreign entity or an individual?	Individual
Position	SENIOR VICE PRESIDENT OF OPERATIONS
Position Start Date	02/2020
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

Legal Name & CRD# (if any):	AG ARTEMIS HOLDINGS, L.P.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	AG INTERMEDIATE CORP.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	08/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	AG INTERMEDIATE CORP.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	LADENBURG THALMANN FINANCIAL SERVICES, INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	08/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	AG PARENT CORP.
Is this a domestic or foreign entity or an individual?	Domestic Entity

Firm Profile

Indirect Owners (continued)

Company through which indirect ownership is established	ADVISOR GROUP HOLDINGS, INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	08/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	LADENBURG THALMANN FINANCIAL SERVICES, INC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	AG PARENT CORP.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	05/2020
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	RCP GENPAR HOLDCO LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	RCP GENPAR LP
Relationship to Direct Owner	LIMITED PARTNER
Relationship Established	08/2014

Indirect Owners (continued)

Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	RCP GENPAR LP
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	RCP OPP FUND II GP, LP
Relationship to Direct Owner	LIMITED PARTNER
Relationship Established	01/2018
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	RCP OPP FUND II GP, LP
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	AG ARTEMIS HOLDINGS GP, LLC
Relationship to Direct Owner	MEMBER
Relationship Established	05/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting	No

Firm Profile

Indirect Owners (continued)

company?

Legal Name & CRD# (if any):	RCP OPP FUND II GP, LP
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	RCP ARTEMIS CO-INVEST GP LLC
Relationship to Direct Owner	MEMBER
Relationship Established	05/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	THE BERLINSKI FAMILY 2006 TRUST
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	MRB ICBC LLC
Relationship to Direct Owner	MEMBER
Relationship Established	08/2014
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	RCP ARTEMIS CO-INVEST, L.P.
Is this a domestic or foreign entity or an individual?	Foreign Entity

Firm Profile

Indirect Owners (continued)

Company through which indirect ownership is established	AG ARTEMIS HOLDINGS, L.P.
Relationship to Direct Owner	LIMITED PARTNER
Relationship Established	08/2019
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	BERLINSKI, MILTON RALPH 1710939
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	RCP GENPAR HOLDCO LLC
Relationship to Direct Owner	MEMBER
Relationship Established	08/2014
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	MRB ICBC LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	RCP GENPAR HOLDCO LLC
Relationship to Direct Owner	MEMBER

Indirect Owners (continued)

Relationship Established	08/2014
Percentage of Ownership	25% but less than 50%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	AG ARTEMIS HOLDINGS GP, LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	AG ARTEMIS HOLDINGS, L.P.
Relationship to Direct Owner	GENERAL PARTNER
Relationship Established	05/2019
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	BERLINSKI, MILTON RALPH 1710939
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	RCP OPP FUND II GP, LP
Relationship to Direct Owner	GENERAL PARTNER
Relationship Established	01/2018
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of	Yes

User Guidance

Indirect Owners (continued)

the firm?	
Is this a public reporting company?	No

Legal Name & CRD# (if any):	BERLINSKI, MILTON RALPH 1710939
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	RCP GENPAR LP
Relationship to Direct Owner	GENERAL PARTNER
Relationship Established	08/2014
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	BERLINSKI, MILTON RALPH
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	MRB ICBC LLC
Relationship to Direct Owner	INVESTMENT MANAGER
Relationship Established	08/2014
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm Profile

Indirect Owners (continued)

Legal Name & CRD# (if any):	BERLINSKI, MILTON RALPH 1710939
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	THE BERLINSKI FAMILY 2006 TRUST
Relationship to Direct Owner	TRUSTEE
Relationship Established	08/2014
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	RCP ARTEMIS CO-INVEST GP LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	RCP ARTEMIS CO-INVEST, L.P.
Relationship to Direct Owner	GENERAL PARTNER
Relationship Established	05/2019
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.

Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered.

The firm's registration was from 04/08/1969 to 01/19/2021.

Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 9 types of businesses.

Types of Business

Types of Business
Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Mutual fund retailer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Investment advisory services
Broker or dealer selling tax shelters or limited partnerships in primary distributions
Non-exchange member arranging for transactions in listed securities by exchange member
Other - KMS SELLS GROUP ANNUITIES

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.
This firm does engage in other non-securities business.

Non-Securities Business Description: KMS IS A GENERAL AGENT FOR SEVERAL INSURANCE COMPANIES.

Firm Operations

Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
Effective Date:	11/10/1997
Description:	KMS FINANCIAL SERVICES MAINTAINS A FULLY DISCLOSED INTRODUCING CLEARING AGREEMENT WITH PERSHING FOR CLIENT BROKERAGE ACCOUNTS.

Firm Operations

Industry Arrangements

This firm does have books or records maintained by a third party.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
Effective Date:	11/10/1997
Description:	KMS FINANCIAL SERVICES MAINTAINS A FULLY DISCLOSED INTRODUCING CLEARING AGREEMENT WITH PERSHING FOR CLIENT BROKERAGE ACCOUNTS.

This firm does have accounts, funds, or securities maintained by a third party.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 07399
Effective Date:	11/10/1997
Description:	KMS FINANCIAL SERVICES MAINTAINS A FULLY DISCLOSED INTRODUCING CLEARING AGREEMENT WITH PERSHING FOR CLIENT BROKERAGE ACCOUNTS.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name:	PERSHING LLC
CRD #:	7560
Business Address:	ONE PERSHING PLAZA JERSEY CITY, NJ 98104
Effective Date:	11/10/1997
Description:	KMS FINANCIAL SERVICES MAINTAINS A FULLY DISCLOSED INTRODUCING CLEARING AGREEMENT WITH PERSHING FOR CLIENT BROKERAGE ACCOUNTS.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.

Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- **in control of**
- **controlled by**
- **or under common control with**

the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

WOODBURY FINANCIAL SERVICES, INC. is under common control with the firm.

CRD #:	421
Business Address:	7755 3RD STREET NORTH OAKDALE, MN 55128
Effective Date:	12/01/2012
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	APPLICANT AND WOODBURY FINANCIAL SERVICES, INC. ARE UNDER COMMON CONTROL OF OF ADVISOR GROUP HOLDINGS, INC.

VISION2020 WEALTH MANAGEMENT CORPORATION is under common control with the firm.

Business Address:	10 EXCHANGE PLACE SUITE 1410 JERSEY CITY, NJ 7302
Effective Date:	06/21/2010
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	APPLICANT AND VISION2020 WEALTH MANAGEMENT CORPORATION ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

Firm Operations

Organization Affiliates (continued)

SAGEPOINT FINANCIAL, INC. is under common control with the firm.

CRD #:	133763
Business Address:	20 EAST THOMAS ROAD SUITE 2000 PHOENIZ, AZ 85012
Effective Date:	10/12/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	APPLICANT AND SAGEPOINT FINANCIAL, INC. ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

ROYAL ALLIANCE ASSOCIATES, INC. is under common control with the firm.

CRD #:	23131
Business Address:	10 EXCHANGE PLACE SUITE 1410 JERSEY CITY, NJ 7302
Effective Date:	01/01/2009
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	APPLICANT AND ROYAL ALLIANCE ASSOCIATES, INC. ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

RCP ARTEMIS CO-INVEST LP controls the firm.

Business Address:	UGLAND HOUSE, SOUTH CHURCH STREET PO BOX 309 GRAND CAYMAN, CAYMAN ISLANDS KY1-1104
Effective Date:	07/31/2019

Firm Operations

Organization Affiliates (continued)

Foreign Entity:	Yes
Country:	CAYMAN ISLANDS
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	RCP ARTEMIS CO-INVEST, L.P. INDIRECTLY CONTROLS THE APPLICANT.

FSC SECURITIES CORPORATION is under common control with the firm.

CRD #:	7461
Business Address:	2300 WINDY RIDGE PARKWAY SUITE 750N ATLANTA, GA 30339
Effective Date:	01/01/1999
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	"APPLICANT AND FSC SECURITIES CORPORATION ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC. "

AG PARENT CORP. controls the firm.

Business Address:	20 EAST THOMAS ROAD SUITE 2000 PHOENIZ, AZ 85012
Effective Date:	08/01/2019
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	AG PARENT CORP. IS AN INDIRECT OWNER OF APPLICANT

Firm Operations

Organization Affiliates (continued)

AG INTERMEDIATE CORP. controls the firm.

Business Address:	20 EAST THOMAS ROAD SUITE 200 PHOENIZ, AZ 85012
Effective Date:	08/01/2019
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	AG INTERMEDIATE CORP. IS AN INDIRECT OWNER OF APPLICANT

HIGHLAND CAPITAL BROKERAGE is under common control with the firm.

Business Address:	3535 GRANDVIEW PARKWAY SUITE 600 BIRMINGHAM, AL 35243
Effective Date:	01/30/2015
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	APPLICANT AND HIGHLAND CAPITAL BROKERAGE ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

TRIAD HYBRID SOLUTIONS, LLC is under common control with the firm.

CRD #:	171070
Business Address:	5185 PEACHTREE PARKWAY SUITE 280 NORCROSS, GA 30092
Effective Date:	07/07/2014
Foreign Entity:	No
Country:	
Securities Activities:	No

Firm Operations

Organization Affiliates (continued)

Investment Advisory Activities:	Yes
Description:	APPLICANT AND TRIAD HYBRID SOLUTIONS, LLC ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

ARBOR POINT ADVISORS is under common control with the firm.

CRD #:	165127
Business Address:	12325 PORT GRACE BLVD LAVISTA, NE 68128
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	AFFILIATED REGISTERED INVESTMENT ADVISORY FIRM UNDER THE COMMON OWNERSHIP OF ADVISOR GROUP HOLDINGS, INC.

SECURITIES AMERICA ADVISORS, INC. is under common control with the firm.

CRD #:	110518
Business Address:	12325 PORT GRACE BLVD LAVISTA, NE 68128
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	AFFILIATED REGISTERED INVESTMENT ADVISORY FIRM UNDER THE COMMON OWNERSHIP OF ADVISOR GROUP HOLDINGS, INC.

LADENBURG THALMANN ASSET MANAGEMENT INC is under common control with the firm.

CRD #:	108604

Firm Operations

Organization Affiliates (continued)

Business Address:	520 MADISON AVE 9TH FLOOR NEW YORK, NY 10022
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	KMS FINANCIAL SERVICES INC AND LADENBURG THALMANN ASSET MANAGEMENT INC. ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

LADENBURG THALMANN & CO. INC. is under common control with the firm.

CRD #:	505
Business Address:	520 MADISON AVE 9TH FLOOR NEW YORK, NY 10022
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	KMS FINANCIAL SERVICES INC AND LADENBURG THALMANN & CO. INC. ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

SECURITIES AMERICA, INC. is under common control with the firm.

CRD #:	10205
Business Address:	12325 PORT GRACE BLVD LAVISTA, NE
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes

Firm Operations

Organization Affiliates (continued)

Investment Advisory Activities:	No
Description:	KMS FINANCIAL SERVICES INC AND SECURITIES AMERICA, INC ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

TRIAD ADVISORS LLC is under common control with the firm.

CRD #:	25803
Business Address:	5184 PEACHTREE PARKWAY SUITE 280 NORCROSS, GA 30092
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	KMS FINANCIAL SERVICES, INC AND TRIAD ADVISORS, LLC ARE UNDER COMMON CONTROL OF ADVISOR GROUP HOLDINGS, INC.

LADENBURG THALMANN FINANCIAL SERVICES INC controls the firm.

Business Address:	4400 BISCAYNE BLVD, 11TH FLOOR MIAMI, FL 33137
Effective Date:	10/15/2014
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	LADENBURG THALMANN FINANCIAL SERVICES, INC INDIRECTLY CONTROLS THE APPLICANT.

This firm is not directly or indirectly, controlled by the following:

- **bank holding company**
- **national bank**
- **state member bank of the Federal Reserve System**

Firm Operations

Organization Affiliates (continued)

- state non-member bank
- savings bank or association
- credit union
- or foreign bank

Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	12	0
Arbitration	N/A	3	N/A
Bond	N/A	2	N/A

Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
    - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
    - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
    - A disclosure event may have a status of *pending, on appeal,* or *final.*
        - A "pending" event involves allegations that have not been proven or formally adjudicated.
        - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
        - A "final" event has been concluded and its resolution is not subject to change.
    - A final event generally has a disposition of *adjudicated, settled* or *otherwise resolved.*
        - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
        - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
        - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 12

Reporting Source:	Regulator
Current Status:	Final

Allegations:	THE SEC DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT"), AGAINST KMS FINANCIAL SERVICES, INC. ("KMS" OR "RESPONDENT"). THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF KMS'S FAILURE TO ADOPT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO SAFEGUARD CUSTOMER RECORDS AND INFORMATION, IN VIOLATION OF RULE 30(A) OF REGULATION S-P (THE "SAFEGUARDS RULE"). KMS, A DUALLY REGISTERED BROKER-DEALER AND INVESTMENT ADVISER, VIOLATED THE SAFEGUARDS RULE BY FAILING TO ADOPT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO SAFEGUARD RECORDS AND INFORMATION OF ITS BROKERAGE CUSTOMERS AND ADVISORY CLIENTS (HEREAFTER "CUSTOMERS"), INCLUDING PERSONAL IDENTIFYING INFORMATION ("PII") STORED ON A CLOUD-BASED ELECTRONIC MAIL ("EMAIL") SYSTEM, WHICH KMS'S REGISTERED REPRESENTATIVES AND REGISTERED INVESTMENT ADVISER REPRESENTATIVES ("FINANCIAL ADVISERS") USED FOR INTERNAL AND EXTERNAL COMMUNICATIONS. BETWEEN SEPTEMBER 2018 AND DECEMBER 2019, FIFTEEN KMS FINANCIAL ADVISER EMAIL ACCOUNTS WERE ACCESSED BY UNAUTHORIZED THIRD PARTIES RESULTING IN THE EXPOSURE OF CUSTOMER RECORDS AND INFORMATION, INCLUDING PII, OF APPROXIMATELY 4,900 KMS CUSTOMERS. FURTHERMORE, KMS'S INCIDENT RESPONSE POLICY WAS NOT REASONABLY DESIGNED TO ENSURE THAT THE EMAIL ACCOUNT COMPROMISES WERE REMEDIATED IN A TIMELY MANNER TO ENSURE THE PROTECTION OF CUSTOMER PII. ALTHOUGH KMS DISCOVERED THE FIRST EMAIL ACCOUNT COMPROMISE IN NOVEMBER 2018, IT FAILED TO ADOPT WRITTEN POLICIES AND PROCEDURES REQUIRING ADDITIONAL FIRM-WIDE SECURITY MEASURES FOR ALL KMS EMAIL USERS UNTIL MAY 2020, AND DID NOT FULLY IMPLEMENT THOSE MEASURES UNTIL AUGUST 2020. THIS RESULTED IN THE EXPOSURE OF SENSITIVE CUSTOMER RECORDS AND INFORMATION, INCLUDING PII, OF THOUSANDS OF KMS CUSTOMERS THROUGHOUT 2019 AND THE POTENTIAL EXPOSURE OF ADDITIONAL CUSTOMER RECORDS AND INFORMATION UNTIL AUGUST 2020.
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	08/30/2021
Docket/Case Number:	3-20495
Principal Product Type:	No Product
Other Product Type(s):	

Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	08/30/2021
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $200,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	THE FIRM SHALL CEASE AND DESIST; IS CENSURED; AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF $200,000.
Regulator Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. AS A RESULT OF ITS CONDUCT, KMS WILLFULLY VIOLATED THE SAFEGUARDS RULE. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT KMS CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 30(A) OF REGULATION S-P; RESPONDENT KMS IS CENSURED; AND RESPONDENT KMS SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF $200,000 TO THE SEC.

Disclosure 2 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC ADMIN RELEASE 34-81169, IA RELEASE 40-4730 / JULY 19, 2017: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT"), AGAINST KMS FINANCIAL SERVICES, INC. ("KMS" OR "RESPONDENT").

THE COMMISSION FINDS THAT THIS MATTER CONCERNS KMS, A DUALLY-REGISTERED INVESTMENT ADVISER AND BROKER DEALER THAT FAILED, IN ITS CAPACITY AS AN INVESTMENT ADVISER, TO DISCLOSE TO ITS ADVISORY CLIENTS COMPENSATION IT RECEIVED FROM A THIRD PARTY BROKER-DEALER ("CLEARING BROKER") FOR CERTAIN INVESTMENTS KMS SELECTED FOR ITS ADVISORY CLIENTS. PURSUANT TO THE ARRANGEMENT, THE CLEARING BROKER AGREED TO SHARE WITH KMS CERTAIN REVENUES THAT THE CLEARING BROKER RECEIVED FROM THE MUTUAL FUNDS IN THE CLEARING BROKER'S NO-TRANSACTION-FEE MUTUAL FUND PROGRAM ("NTF PROGRAM"). THESE PAYMENTS PROVIDED A FINANCIAL INCENTIVE FOR KMS TO FAVOR THE MUTUAL FUNDS IN THE NTF PROGRAM OVER OTHER INVESTMENTS WHEN GIVING INVESTMENT ADVICE TO ITS ADVISORY CLIENTS, AND THUS CREATED A CONFLICT OF INTEREST. IN ADDITION, IN 2014, KMS NEGOTIATED A REDUCTION IN EXECUTION AND CLEARING COSTS IT PAID THE CLEARING BROKER BUT KMS NEITHER PASSED ON THE REDUCTION IN BROKERAGE COSTS TO ITS ADVISORY CLIENTS NOR ANALYZED WHETHER ITS CLIENTS WERE OBTAINING BEST EXECUTION. FINALLY, KMS MADE INACCURATE STATEMENTS IN ITS FORM ADV CONCERNING BEST EXECUTION AND OMITTED IN ITS FORM ADV DISCLOSURE OF COMPENSATION IT RECEIVED THROUGH THE NTF PROGRAM. AS A RESULT, KMS VIOLATED SECTIONS 206(2) AND 207 OF THE ADVISERS ACT. IN ADDITION, BY NOT ADOPTING AND IMPLEMENTING POLICIES AND PROCEDURES REASONABLY DESIGNED TO ENSURE PROPER DISCLOSURE OF CONFLICTS OF INTEREST AND TO ENSURE KMS MET ITS OBLIGATION TO SEEK BEST EXECUTION AS AN INVESTMENT ADVISER, KMS VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	07/19/2017
Docket/Case Number:	3-18068
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	07/19/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine $100,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	IT WAS ORDERED THAT KMS SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. KMS WAS CENSURED, ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS, AND ORDERED TO PAY DISGORGEMENT OF $382,568.64 AND PREJUDGMENT INTEREST OF $69,518.43 AND A CIVIL MONEY PENALTY IN THE AMOUNT OF $100,000.00 TO THE SECURITIES AND EXCHANGE COMMISSION.
Regulator Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. KMS WAS FOUND TO HAVE WILLFULLY VIOLATED SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. IT IS HEREBY ORDERED THAT KMS SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. KMS IS CENSURED, ORDERED TO COMPLY WITH CERTAIN UNDERTAKING, AND ORDERED TO PAY DISGORGEMENT OF $382,568.64 AND PREJUDGMENT INTEREST OF $69,518.43 AND A CIVIL MONEY PENALTY IN THE AMOUNT OF $100,000.00 TO THE SECURITIES AND EXCHANGE COMMISSION.

Reporting Source:	Firm
Current Status:	Final
Allegations:	" THE SEC'S ORDER FOUND THAT KMS HAD VIOLATED SECTIONS 206(2), 206(4), AND 207 OF THE INVESTMENT ADVISORS ACT OF 1940, AND RULE 206(4)-7 THEREUNDER, REGARDING DISCLOSURES MADE PRIOR TO 3/2014 RELATED TO A NO TRANSACTION FEE MUTUAL FUND PROGRAM, BEST EXECUTION ANALYSIS RELATED TO CHANGES IN SOME TRANSACTION

	CHARGES IN 2014, AND KMS' PROGRAM FOR REVIEWING POLICIES AND PROCEDURES. WITHOUT ADMITTING OR DENYING THE SEC'S FINDINGS, KMS CONSENTED TO A CENSURE, A CEASE-AND-DESIST ORDER FROM COMMITTING OR CAUSING FURTHER VIOLATIONS OF THESE PROVISIONS, THE PAYMENT OF DISGORGEMENT OF $382,568.64 PLUS PREJUDGMENT INTEREST, AND A $100,000 PENALTY. SEE ALSO SEC ADMIN RELEASE 34-81169, IA RELEASE 40-4730 / JULY 19, 2017
Initiated By:	SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	07/19/2017
Docket/Case Number:	3-18068
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	DISGORGEMENT OF $382,568.64 AND A $100,000 PENALTY
Resolution:	Other
Resolution Date:	07/19/2017
Sanctions Ordered:	Censure Monetary/Fine $100,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	IT WAS ORDERED THAT KMS SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2), 206(4) AND 207 OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. KMS WAS CENSURED, ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS, AND ORDERED TO PAY DISGORGEMENT OF $382,568.64 AND PREJUDGMENT INTEREST OF $69,518.43 AND A CIVIL MONEY PENALTY IN THE AMOUNT OF $100,000.00 TO THE SECURITIES AND EXCHANGE COMMISSION.
Firm Statement	THE SEC'S ORDER FOUND THAT KMS HAD VIOLATED SECTIONS 206(2), 206(4), AND 207 OF THE INVESTMENT ADVISORS ACT OF 1940, AND RULE 206(4)-7 THEREUNDER, REGARDING DISCLOSURES MADE PRIOR TO 3/2014 RELATED TO A NO TRANSACTION FEE MUTUAL FUND PROGRAM, BEST

	EXECUTION ANALYSIS RELATED TO CHANGES IN SOME TRANSACTION CHARGES IN 2014, AND KMS' PROGRAM FOR REVIEWING POLICIES AND PROCEDURES. WITHOUT ADMITTING OR DENYING THE SEC'S FINDINGS, KMS CONSENTED TO A CENSURE, A CEASE-AND-DESIST ORDER FROM COMMITTING OR CAUSING FURTHER VIOLATIONS OF THESE PROVISIONS, THE PAYMENT OF DISGORGEMENT OF $382,568.64 PLUS PREJUDGMENT INTEREST, AND A $100,000 PENALTY.

Disclosure 3 of 12

Reporting Source:	Firm
Current Status:	Final
Appealed To and Date Appeal Filed:	N/A
Allegations:	IN NOVEMBER 2013 KMS APPLIED FOR AN INSURANCE REGISTRATION IN THE STATE OF FLORIDA AS A NONRESIDENT AGENCY. IN FEBRUARY 12, 2014 THE LICENSING DEPARTMENT SENT KMS NOTICE OF DENIAL INDICATING THEIR INTENTION TO DENY KMS AN INSURANCE REGISTRATION BASED UPON PRIOR ADMINISTRATIVE HISTORY. IN MARCH 2014 KMS FILED A REQUEST FOR AN ADMINISTRATIVE HEARING IN WHICH IT DENIED THAT THE FACTS ALLEGED (I.E. ADMINISTRATIVE HISTORY OUTSIDE FLORIDA) BY THE DEPARTMENT CONSTITUTED A BASIS FOR A DENIAL.
Initiated By:	STATE OF FLORIDA-DEPARTMENT OF FINANCIAL SERVICES
Date Initiated:	02/12/2014
Docket/Case Number:	150989-14-AG
Principal Product Type:	No Product
Other Product Type(s):	N/A
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	PROBATION
Resolution:	Consent
Resolution Date:	07/24/2014
Sanctions Ordered:	Monetary/Fine $8,000.00
Other Sanctions Ordered:	PROBATION

Sanction Details:	AS CONDITIONS OF PROBATION KMS IS ORDERED TO WITHIN 60 DAYS TO SUBMIT A PLAN TO AVOID ALL FUTURE VIOLATIONS OF SECURITIES LAWS, REGULATIONS, AND SRO RULES IN CONNECTION WITH THE SALE OF PRIVATE PLACEMENTS. THE PERIOD OF PROBATION IS TWO YEARS.
Firm Statement	ON JUNE 11, 2014 KMS ENTERED INTO A SETTLEMENT STIPULATION FOR A CONSENT ORDER UNDER WHICH THE STATE OF FLORIDA AGREED TO GRANT KMS LICENSURE AND KMS AGREED TO BE PLACED ON PROBATION AND PAY $8000 IN ADMINISTRATIVE COSTS WHICH WAS PAID ON JULY 25TH 2014. ON JULY 24, 2014 THE DEPARTMENT OF FINANCIAL SERVICES ISSUED A CONSENT ORDER ENACTING THE SETTLEMENT.

Disclosure 4 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULES 2110, 2310, 3010 - KMS FINANCIAL SERVICES, INC. AND TWO REGISTERED REPRESENTATIVES SOLD $4,280,000 OF INTERESTS IN A HEDGE FUND TO CUSTOMERS AND RECEIVED $50,555.05 IN INCENTIVE FEES FROM THE HEDGE FUND'S GENERAL PARTNER. FROM THE FEES, THE FIRM PAID THE REGISTERED REPRESENTATIVES $42,827.92, LEAVING THE FIRM WITH $7,727.13 IN NET INCENTIVE FEES. THE FIRM FAILED TO CONDUCT ADEQUATE DUE DILIGENCE. IT RELIED ON OPINIONS OF THE REPRESENTATIVES, FAILED TO CONTACT THE HEDGE FUND'S ACCOUNTING FIRM TO DETERMINE THE NATURE OF ITS SERVICES, AND FAILED TO CONFIRM INFORMATION PROVIDED BY THE GENERAL PARTNER. THE FIRM FAILED TO REVIEW A NEW YORK STOCK EXCHANGE'S DECISION SANCTIONING A FOUNDER AND THE HEDGE FUND'S PORTFOLIO MANAGER. THE FIRM REQUESTED FINANCIAL STATEMENTS FOR THE HEDGE FUND BUT THE PARTNER WOULD NOT PROVIDE THEM UNTIL A LATER DATE WHEN THE PARTNER PROVIDED AN ACCOUNT RECONCILIATION TO THE FIRM CUSTOMERS WHICH WAS PREPARED BY A DIFFERENT ACCOUNTING FIRM. THE FIRM DID NOT INQUIRE WHY THE PARTNER HAD CHANGED ACCOUNTING FIRMS. THE FIRM BECAME AWARE OF MULTIPLE RED FLAGS REGARDING THE HEDGE FUND AND BASED ON THE RED FLAGS AND AS A RESULT OF ITS FAILURE TO CONDUCT ADEQUATE DUE DILIGENCE, THE FIRM DID NOT HAVE REASONABLE GROUNDS TO BELIEVE THE HEDGE FUND WAS A SUITABLE INVESTMENT FOR ANY CUSTOMER. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ENSURE IT CONDUCTED ADEQUATE DUE DILIGENCE OF PRIVATE PLACEMENT OFFERINGS AND FAILED TO IMPLEMENT ITS PROCEDURES IN THAT IT DID NOT USE THE DUE DILIGENCE QUESTIONNAIRE INCORPORATED IN THE PROCEDURES.
Initiated By:	FINRA

Date Initiated:	11/15/2012
Docket/Case Number:	2010024370301
Principal Product Type:	Other
Other Product Type(s):	HEDGE FUND
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/15/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $50,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED $50,000 WHICH INCLUDES THE DISGORGEMENT OF FINANCIAL BENEFITS RECEIVED OF $7,727.13. IN DETERMINING THE APPROPRIATE SANCTIONS, FINRA CONSIDERED THE FACT THAT THE FIRM PAID $2,730,000 TO SETTLE CLAIMS BY THE CUSTOMERS WHO PURCHASED THE HEDGE FUND. FINE PAID IN FULL ON 12/4/12.

Reporting Source:	Firm
Current Status:	Final
Allegations:	NASD RULES 2110, 2310, 3010 - KMS FINANCIAL SERVICES, INC. AND TWO REGISTERED REPRESENTATIVES SOLD $4,280,000 OF INTERESTS IN A HEDGE FUND TO CUSTOMERS AND RECEIVED $50,555.05 IN INCENTIVE FEES FROM THE HEDGE FUND'S GENERAL PARTNER. FROM THE FEES, THE FIRM PAID THE REGISTERED REPRESENTATIVES $42,827.92, LEAVING THE FIRM WITH $7,727.13 IN NET INCENTIVE FEES. THE FIRM FAILED TO CONDUCT ADEQUATE DUE

DILIGENCE. IT RELIED ON OPINIONS OF THE REPRESENTATIVES, FAILED TO CONTACT THE HEDGE FUND'S ACCOUNTING FIRM TO DETERMINE THE NATURE OF ITS SERVICES, AND FAILED TO CONFIRM INFORMATION PROVIDED BY THE GENERAL PARTNER. THE FIRM FAILED TO REVIEW A NEW YORK STOCK
EXCHANGE'S DECISION SANCTIONING A FOUNDER AND THE HEDGE FUND'S PORTFOLIO MANAGER. THE FIRM REQUESTED FINANCIAL STATEMENTS FOR THE HEDGE FUND BUT THE PARTNER WOULD NOT PROVIDE THEM UNTIL A LATER DATE WHEN THE PARTNER PROVIDED AN ACCOUNT RECONCILIATION TO THE FIRM CUSTOMERS WHICH WAS PREPARED BY A DIFFERENT ACCOUNTING FIRM. THE FIRM DID NOT INQUIRE WHY THE PARTNER HAD CHANGED ACCOUNTING FIRMS. THE FIRM BECAME AWARE OF RED FLAGS REGARDING THE HEDGE FUND AND BASED ON THE RED FLAGS AND AS A RESULT OF ITS FAILURE TO CONDUCT ADEQUATE DUE DILIGENCE, THE FIRM DID NOT HAVE REASONABLE GROUNDS TO BELIEVE THE HEDGE FUND WAS A SUITABLE INVESTMENT. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ENSURE IT CONDUCTED ADEQUATE DUE DILIGENCE OF PRIVATE PLACEMENT OFFERINGS AND FAILED TO IMPLEMENT ITS PROCEDURES IN THAT IT DID NOT USE THE DUE DILIGENCE QUESTIONNAIRE INCORPORATED IN ITS PROCEDURES.

Initiated By:	FINRA
Date Initiated:	11/15/2012
Docket/Case Number:	2010024370301
Principal Product Type:	Other
Other Product Type(s):	HEDGE FUND
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	MONETARY/FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/15/2012
Sanctions Ordered:	Censure Monetary/Fine $50,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED $50,000 WHICH

INCLUDES THE DISGORGEMENT OF FINANCIAL BENEFITS RECEIVED OF $7,727.13. IN DETERMINING THE APPROPRIATE SANCTIONS, FINRA CONSIDERED THE FACT THAT THE FIRM PAID $2,730,000 TO SETTLE CLAIMS BY THE CUSTOMERS WHO PURCHASED THE HEDGE FUND.

Disclosure 5 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	FINRA RULE 2010, NASD RULE 3011, MSRB RULE G-41 - KMS FINANCIAL SERVICES INC. FAILED TO ESTABLISH AND IMPLEMENT A CUSTOMER IDENTIFICATION PROGRAM (CIP), AS PART OF ITS ANTI-MONEY LAUNDERING (AML) COMPLIANCE PROGRAM, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE CIP REGULATION ADOPTED JOINTLY UNDER THE BANK SECRECY ACT BY THE DEPARTMENT OF THE TREASURY AND THE SECURITIES AND EXCHANGE COMMISSION. FINRA POINTED OUT DEFICIENCIES IN THE FIRM'S CIP AND THE FIRM SUBSEQUENTLY REVISED THE FORM USED BY REGISTERED REPRESENTATIVES TO VERIFY CUSTOMER IDENTITY (FORM D-7), REVISED A TIPSHEET WHICH PROVIDED GUIDANCE REGARDING THAT FORM, AND ISSUED COMPLIANCE ALERTS TO ITS REGISTERED REPRESENTATIVES REGARDING THE CHANGES BUT DID NOT MAKE CORRESPONDING CHANGES TO ITS AML WRITTEN SUPERVISORY PROCEDURES (WSPS) SO THAT THE WSPS WERE INCONSISTENT WITH THE OTHER DOCUMENTS USED IN THE FIRM'S CIP. THE TIPSHEET STATED THAT WHILE DOCUMENTARY EVIDENCE WAS THE PREFERRED MEANS OF VERIFYING CUSTOMER IDENTITY, IT SUGGESTED NON-DOCUMENTARY EVIDENCE, INCLUDING THE REGISTERED REPRESENTATIVE'S PERSONAL KNOWLEDGE OF THE CUSTOMER, BE USED WHEN DOCUMENTARY EVIDENCE WAS NOT AVAILABLE; THE TIPSHEET DID NOT COMPLY WITH THE CIP REGULATION BECAUSE PERSONAL KNOWLEDGE DOES NOT CONSTITUTE NON-DOCUMENTARY EVIDENCE OF IDENTITY. THE FIRM'S AML WSPS DID NOT INDICATE THAT DOCUMENTARY EVIDENCE SHOULD BE USED TO VERIFY AN INDIVIDUAL CUSTOMER'S IDENTITY WHENEVER IT WAS AVAILABLE AND DID NOT REQUIRE THE SUBMISSION OF FORM D-7 FOR ALL NEW ACCOUNTS. THE AML WSPS STATED THAT A REGISTERED REPRESENTATIVE COULD VERIFY IDENTITY BASED ON PERSONAL KNOWLEDGE OF FACTS AND CIRCUMSTANCES THAT ALLOWED HIM OR HER TO FORM A REASONABLE BELIEF THAT HE KNEW THE CUSTOMER'S TRUE IDENTITY - WHICH DID NOT COMPLY WITH THE CIP REGULATION BECAUSE PERSONAL KNOWLEDGE DOES NOT CONSTITUTE NON-DOCUMENTARY EVIDENCE OF IDENTITY. THE FIRM OPENED ACCOUNTS FOR NEW CUSTOMERS WITHOUT USING AN APPROPRIATE METHOD TO VERIFY THE CUSTOMERS' IDENTITIES; FORMS D-7 WERE SUBMITTED CITING SOLELY THE

	REGISTERED REPRESENTATIVE'S PERSONAL KNOWLEDGE OF THE CUSTOMER AS THE BASIS FOR VERIFYING IDENTITY, THEREBY FAILING TO IMPLEMENT THE PROVISIONS OF ITS CIP WHICH REQUIRED REGISTERED REPRESENTATIVES TO OBTAIN DOCUMENTARY EVIDENCE OF IDENTITY WHENEVER POSSIBLE.
Initiated By:	FINRA
Date Initiated:	12/23/2011
Docket/Case Number:	2010021288001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/23/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine $10,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED $10,000, $5,000 OF WHICH WAS FOR VIOLATIONS OF MSRB RULE G-41. FINE PAID IN FULL JANUARY 10, 2012.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA RULE 2010, NASD RULE 3011, MSRB RULE G-41 - KMS FINANCIAL SERVICES INC. FAILED TO ESTABLISH AND IMPLEMENT A CUSTOMER IDENTIFICATION PROGRAM (CIP), AS PART OF ITS ANTI-MONEY

LAUNDERING (AML) COMPLIANCE PROGRAM, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE CIP REGULATION ADOPTED JOINTLY UNDER THE BANK SECRECY ACT BY THE DEPARTMENT OF THE TREASURY AND THE SECURITIES AND EXCHANGE COMMISSION. FINRA POINTED OUT DEFICIENCIES IN THE FIRM'S CIP AND THE FIRM SUBSEQUENTLY REVISED THE FORM USED BY REPRESENTATIVES TO VERIFY CUSTOMER IDENTITY (D-7), REVISED A TIPSHEET WHICH PROVIDED GUIDANCE REGARDING THAT FORM, AND ISSUED COMPLIANCE ALERTS TO ITS REPS REGARDING THE CHANGES BUT DID NOT MAKE CORRESPONDING CHANGES TO ITS AML WRITTEN SUPERVISORY PROCEDURES (WSPS) SO THAT THE WSPS WERE INCONSISTENT WITH THE OTHER DOCUMENTS USED IN THE FIRM'S CIP. THE TIPSHEET STATED THAT WHILE DOCUMENTARY EVIDENCE WAS THE PREFERRED MEANS OF VERIFYING CUSTOMER IDENTITY, IT SUGGESTED NON-DOCUMENTARY EVIDENCE, INCLUDING THE REPS'S PERSONAL KNOWLEDGE OF THE CUSTOMER, BE USED WHEN DOCUMENTARY EVIDENCE WAS NOT AVAILABLE; THE TIPSHEET DIDN'T COMPLY WITH THE CIP REGULATION BECAUSE PERSONAL KNOWLEDGE DOES NOT CONSTITUTE NON-DOCUMENTARY EVIDENCE OF IDENTITY. THE FIRM'S AML WSPS DID NOT INDICATE THAT DOCUMENTARY EVIDENCE SHOULD BE USED TO VERIFY AN INDIVIDUAL CUSTOMER'S IDENTITY WHENEVER IT WAS AVAILABLE AND DID NOT REQUIRE THE SUBMISSION OF FORM D-7 FOR ALL NEW ACCOUNTS. THE AML WSPS STATED THAT A REP COULD VERIFY IDENTITY BASED ON PERSONAL KNOWLEDGE OF FACTS AND CIRCUMSTANCES THAT ALLOWED HIM OR HER TO FORM A REASONABLE BELIEF THAT HE KNEW THE CUSTOMER'S TRUE IDENTITY - WHICH DID NOT COMPLY WITH THE CIP REGULATION BECAUSE PERSONAL KNOWLEDGE DOES NOT CONSTITUTE NON-DOCUMENTARY EVIDENCE OF IDENTITY. THE FIRM OPENED ACCOUNTS FOR NEW CUSTOMERS WITHOUT USING AN APPROPRIATE METHOD TO VERIFY THE CUSTOMERS' IDENTITIES; FORMS D-7 WERE SUBMITTED CITING SOLELY THE REPRESENTATIVE'S PERSONAL KNOWLEDGE OF THE CUSTOMER AS THE BASIS FOR VERIFYING IDENTITY, THEREBY FAILING TO IMPLEMENT THE PROVISIONS OF ITS CIP WHICH REQUIRED REPRESENTATIVES TO OBTAIN DOCUMENTARY EVIDENCE OF IDENTITY WHENEVER POSSIBLE.

Initiated By:	FINRA
Date Initiated:	10/19/2011
Docket/Case Number:	2010 021288001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief	CENSURE

Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/28/2011
Sanctions Ordered:	Censure Monetary/Fine $10,000.00
Other Sanctions Ordered:	
Sanction Details:	THE AWC IMPOSES A $10,000 MONETARY FINE. KMS WILL PAY SUCH AMOUNT WHEN FINRA INVOICES KMS.
Firm Statement	WHILE KMS HAD IMPLEMENTED NEWER PROCEDURES PRIOR TO THESE ALLEGATIONS, KMS HAS TAKEN FURTHER CORRECTIVE ACTION TO ADDRESS THE DEFICIENCIES NOTED IN THE AWC.

Disclosure 6 of 12

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE MA INSURANCE DIVISION ALLEGED THAT KMS FAILED TO TIMELY NOTIFY THEM OF A DISCLOSURE RELATED TO ANOTHER STATE'S ADMINISTRATIVE ACTION.
Initiated By:	COMMONWEALTH OF MASSACHUSETTS DIVISION OF INSURANCE
Date Initiated:	09/22/2011
Docket/Case Number:	SIU NO. 8049
Principal Product Type:	Insurance
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	FINE OF $1000
Resolution:	Settled
Resolution Date:	09/26/2011
Sanctions Ordered:	Monetary/Fine $1,000.00
Other Sanctions Ordered:	
Sanction Details:	KMS PAID A FINE ON 9/26/2011 TO SETTLE THE MATTER.

Firm Statement	ON 2010 KMS REPORTED A CONSENT AND FINAL ORDER IN THE STATE OF MONTANA AND FAILED TO NOTIFY MA WITHIN 30 DAYS.

Disclosure 7 of 12

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE CT INSURANCE DEPARTMENT ALLEGED THAT KMS FAILED TO TIMELY NOTIFY THEM ON AN INSURANCE LICENSE RENEWAL APPLICATION OF DISCLOSURE INFORMATION RELATED TO OTHER STATE ADMINISTRATIVE ACTIONS.
Initiated By:	STATE OF CONNECTICUT INSURANCE DEPARTMENT
Date Initiated:	03/30/2011
Docket/Case Number:	FC 11-42
Principal Product Type:	Insurance
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	CONSENT ORDER FINE $1000
Resolution:	Consent
Resolution Date:	03/31/2011
Sanctions Ordered:	Monetary/Fine $1,000.00
Other Sanctions Ordered:	
Sanction Details:	KMS PAID FINE ON 3/31/2011 AND THE MATTER IS CLOSED.
Firm Statement	IN 2009, KMS ERRONEOUSLY INTERPRETED THE INSTRUCTIONS ON A ROUTINE INSURANCE LICENSE RENEWAL APPLICATION, AND IMMEDIATELY UPON BEING INFORMED OF THE ERROR CORRECTED THE FORM AND PROVIDED COPIES OF REQUESTED RECORDS. THE ITEMS KMS NEGLECTED TO DISCLOSE ON THE INSURANCE APPLICATION WERE AT ALL TIMES AVAILABLE FOR VIEWING ON CRD.

Disclosure 8 of 12

Reporting Source:	Firm
Current Status:	Final

Allegations:	ON 1/8/10, THE MONTANA SECURITIES DEPARTMENT FILED FELONY CHARGES AGAINST FORMER KMS REGISTERED REPRESENTATIVE ART HEFFELFINGER FOR CONDUCTING AND PROMOTING A PONZI SCHEME, THEFT AND EXPLOITATION OF AN OLDER PERSON. HEFELFINGER PLEADED GUILTY TO THE FIRST TWO COUNTS AND IS SCHEDULED FOR TRIAL ON 9/20/10 FOR THE THIRD COUNT. THE DEPARTMENT ALLEGES THAT KMS FAILED TO REASONABLY SUPERVISE HEFFELFINGER IN ITS FAILURE TO DETECT OR PREVENT THE PONZI SCHEME.
Initiated By:	MONTANA SECURITIES DEPARTMENT
Date Initiated:	08/20/2010
Docket/Case Number:	SEC-2009-73
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Restitution
Other Sanction(s)/Relief Sought:	CIVIL AND ADMINISTRATIVE PENALTY/FINE
Resolution:	Consent
Resolution Date:	08/20/2010
Sanctions Ordered:	Monetary/Fine $50,000.00 Disgorgement/Restitution
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, KMS STIPULATED AND CONSENTED TO: (1) PAYING UP TO $975,772.76 IN RESTITUTION TO EIGHT CUSTOMERS; (2) PAYING THE DEPARTMENT UP TO $50,000 IN FINES AND INVESTIGATIVE COSTS; (3) IMPLEMENTING CERTAIN POLICIES AND PROCEDURES. KMS PAID $20,547.73 OF INVESTIGATIVE COSTS IN JUNE OF 2010. KMS PAID A $29,452.27 FINE IN AUGUST OF 2010. KMS WILL PAY RESTITUTION TO CUSTOMERS WITHIN A SPECIFIED AMOUNT OF TIME AFTER THEY SUBMIT THEIR WRITTEN ACCEPTANCE OF THE OFFER AS DESCRIBED IN THE CONSENT AGREEMENT.

Disclosure 9 of 12

Reporting Source:	Firm
Current Status:	Final
Allegations:	IN APPLYING AS A BROKER/DEALER IN MAINE, KMS FINANCIAL SERVICES

	DISCLOSED IT EFFECTED SIX SECURITIES TRANSACTIONS FOR THREE MAINE CUSTOMERS WHILE NOT BEING LICENSED IN MAINE.
Initiated By:	STATE OF MAINE SECURITIES DIVISION
Date Initiated:	04/04/1996
Docket/Case Number:	N/A
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	THROUGH A CONSENT AGREEMENT, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,KMS AGREED TO COMPLY WITH ALL LICENSING AND OTHER LEGAL REQUIREMENTS AND PAID A $2000 PENALTY.
Resolution:	Consent
Resolution Date:	04/14/1996
Sanctions Ordered:	Monetary/Fine $2,000.00
Other Sanctions Ordered:	
Sanction Details:	THROUGH A CONSENT AGREEMENT, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, KMS AGREED TO COMPLY WITH ALL LICENSING AND OTHER LEGAL REQUIREMENTS AND PAID A $2000 PENALTY.
Firm Statement	THROUGH A CONSENT AGREEMENT, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, KMS AGREED TO COMPLY WITH ALL LICENSING AND OTHER LEGAL REQUIREMENTS AND PAID A $2000 PENALTY. KMS IS LICENSED IN MAINE AND THE MATTER HAS BEEN RESOLVED.

Disclosure 10 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	UNLICENSED ACTIVITY
Initiated By:	NORTH DAKOTA SECURITIES COMMISSIONER
Date Initiated:	03/15/1993
Docket/Case Number:	
URL for Regulatory Action:	
Principal Product Type:	

Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	03/15/1999
Sanctions Ordered:	Monetary/Fine $500.00
Other Sanctions Ordered:	
Sanction Details:	ENTERED INTO A CONSENT ORDER AND PAID A $500.00 FINE.
Regulator Statement	THE ORDER WAS ISSUED BASED ON THE ALLEGATIONS THAT WHILE REVIEWING THE APPLICATION FOR BROKER/DEALER REGISTRATION IN NORTH DAKOTA, THE STAFF LEARNED THAT KMS FINANCIAL SERVICES, INC., HAD PERFORMED TRANSACTIONS IN THIS STATE WHILE NOT BEING PROPERLY REGISTERED. BEFORE REGISTRATION WAS GRANTED, KMS FINANCIAL SERVICES, INC., CONSENTED TO AN ORDER AND PAID A $500.00 FINE.

Reporting Source:	Firm
Current Status:	Final
Allegations:	KMS FINANCIAL SERVICES, INC. DISCLOSED THAT IT ENGAGED IN SECURITIES TRANSACTIONS WITH NORTH DAKOTA RESIDENTS (WHO ARE PARENTS OF KMS REPRESENTATIVES) WITH NEITHER KMS OR THE REPRESENTATIVES BEING LICENSED IN THE STATE.
Initiated By:	STATE OF NORTH DAKOTA SECURITIES COMMISSIONER
Date Initiated:	01/14/1993
Docket/Case Number:	N/A
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief	THROUGH A CONSENT ORDER DATED MARCH 15, 1993, KMS WAS

Sought:	GRANTED A LICENSE IN NORTH DAKOTA UPON CERTAIN TERMS INCLUDING PAYMENT OF A $500 CIVIL PENALTY.
Resolution:	Consent
Resolution Date:	03/15/1993
Sanctions Ordered:	Monetary/Fine $500.00
Other Sanctions Ordered:	
Sanction Details:	THROUGH A CONSENT ORDER DATED MARCH 15, 1993, KMS WAS GRANTED A LICENSE IN NORTH DAKOTA UPON CERTAIN TERMS INCLUDING PAYMENT OF A $500 CIVIL PENALTY.
Firm Statement	THROUGH A CONSENT ORDER DATED MARCH 15, 1993, KMS WAS GRANTED A LICENSE IN NORTH DAKOTA UPON CERTAIN TERMS INCLUDING PAYMENT OF A $500 CIVIL PENALTY. KMS IS LICENSED IN NORTH DAKOTA AND THE MATTER HAS BEEN RESOLVED.

Disclosure 11 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	UNLICENSED ACTIVITY
Initiated By:	MN DEPARTMENT OF COMMERCE
Date Initiated:	12/16/1982
Docket/Case Number:	SE9205454/EJK
URL for Regulatory Action:	
Principal Product Type:	
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	12/16/1992
Sanctions Ordered:	Cease and Desist/Injunction
Other Sanctions Ordered:	

Sanction Details:	CONSENT CEASE AND DESIST ORDER, CIVIL PENALTY OF $1000, INVESTIGATIVE COSTS OF $250, RESCISSION
Regulator Statement	COMMISSIONER OF COMMERCE ALLEGES RESPONDENT TRANSACTED BUSINESS IN MINN. AS A BROKER-DEALER WHILE NOT LICENSED IN VIOLATION OF 80A/04. RESPONDENT, WHILE NEITHER ADMITING NOR DENYING THE ALLEGATIONS, CONSENTED TO CEASE AND DESIST, PAY A CIVIL PENALTY OF $1000 AND INVESTIGATIVE COSTS OF $250, AND OFFER RESCISSION OF TRANSACTIONS MADE PRIOR TO LICENSURE. NOTHING CONTAINED IN THIS ORDER SHALL PROHIBIT RESPONDENT FROM BECOMING LICENSED IN MINNESOTA. **** PREVIOUS U6 LISTED INCORRECT DATES AND AMOUNTS OF PAYMENTS****

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE COMMISSIONER OF COMMERCE ALLEGED THAT KMS FINANCIAL SERVICES TRANSACTED BUSINESS WITH MINNESOTA RESIDENTS WITHOUT BEING LICENSED IN THE STATE.
Initiated By:	STATE OF MINNESOTA DEPARTMENT OF COMMERCE.
Date Initiated:	12/16/1992
Docket/Case Number:	SE9205454/EJK
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	THROUGH A CONSENT CEASE AND DESIST ORDER DATED 12/16/1992, KMS WHILE NEITHER ADMITTING NOR DENYING THE ALLEGATIONS, AGREED TO CEASE AND DESIST FROM OFFERING OR SELLING IN MINNESOTA ANY SECURITIES UNTIL DULY LICENSED. KMS PAID $1000 PENALTY AND $250 IN COSTS.
Resolution:	Consent
Resolution Date:	12/17/1992
Sanctions Ordered:	Monetary/Fine $1,250.00
Other Sanctions Ordered:	
Sanction Details:	THROUGH A CONSENT CEASE AND DESIST ORDER DATED 12/16/1992, KMS WHILE NEITHER ADMITTING NOR DENYING THE ALLEGATIONS, AGREED TO

	CEASE AND DESIST FROM OFFERING OR SELLING IN MINNESOTA ANY SECURITIES UNTIL DULY LICENSED. KMS PAID $1000 PENALTY AND $250 IN COSTS.
Firm Statement	THROUGH A CONSENT CEASE AND DESIST ORDER DATED 12/16/1992, KMS WHILE NEITHER ADMITTING NOR DENYING THE ALLEGATIONS, AGREED TO CEASE AND DESIST FROM OFFERING OR SELLING IN MINNESOTA ANY SECURITIES UNTIL DULY LICENSED. KMS PAID $1000 PENALTY AND $250 IN COSTS. KMS IS LICENSED IN MINNESOTA AND THE MATTER HAS BEEN RESOLVED.

Disclosure 12 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	ON OR ABOUT MAY 7, 1992 KMS FINANCIAL SERVICES, INC. FILED WITH THE MASSACHUSETTS SECURITIES DIVISION AN APPLICATION FOR REGISTRATION AS A BROKER-DEALER. THROUGH ITS INITIAL FILING, KMS DISCLOSED THAT IT HAD ENGAGED IN APPROXIMATELY TWENTY TWO TRANSACTIONS IN SECURITIES WITH NON-INSTITUTINAL CUSTOMERS IN MASSACHUSETTS DURING THE PERIOD FROM NOVEMBER 1984 - JANUARY 1992. KMS HAS NEVER BEEN REGISTERED AS A BROKER-DEALER IN MASSACHUSETTS. KMS' TRANSACTION OF BUSINESS IN SECURITIES IN THE COMMONWEALTH WITHOUT REGISTRATION AS A BROKER-DEALER VIOLATED SECTION 201 OF M.G.L. C. 110A, THE UNIFORM SECURITIES ACT AND IS STATUTORY GROUNDS FOR DENIAL.
Initiated By:	MASSACHUSETTS SECURITIES DIVISION
Date Initiated:	08/05/1992
Docket/Case Number:	92-082-E
URL for Regulatory Action:	
Principal Product Type:	
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	

Resolution:	Consent
Resolution Date:	08/05/1992
Sanctions Ordered:	Monetary/Fine $634.00
Other Sanctions Ordered:	
Sanction Details:	ON AUGUST 5, 1992 THE MASSACHUSETTS SECURITIES DIVISION ENTERED AN ORDER APPROVING REGISTRATION UPON CONDITIONS AFTER KMS SIGNED AND UNDERTAKING AND CONSENT TO ORDER.
Regulator Statement	ON AUGUST 5, 1992 THE MASSACHUSETTS SECURITIES DIVISION ENTERED AN ORDER APPROVING KMS' REGISTRATION UPON CONDITIONS. KMS AGREED THAT IT WILL COMPLY WITH THE STATUTES AND REGULATIONS RELATING TO THE TRANSACTION OF BUSINESS IN SECURITIES IN MASSACHUSETTS; KMS SHLL IMPLEMENT AND MAINTAIN PROCEDURES APPROPRIATELY DESIGNED TO ENSURE COMPLIANCE WITH SECTION 201 OF M.G.L. C.110A; KMS SHALL PROVIDE THE DIVISION WITH A COPY OF ALL OFFERS OF RESCISSION MADE PURSUANT TO THIS ORDER AND ALL OF THE OFFEREES' RESPONSES THERETO; KMS SHALL PAY TO THE COMMONWEALTH OF MASS AN ADMINISTRATIVE PENALTY IN THE AMOUNT OF $634.00, AND SHALL PAY COSTS IN THE AMOUNT O;F $250.00; ANY DISQUALIFICATION FROM USE O;F THE EXEMPTIONS PROVIDED FOR IN M.G.L. C. 110A SECTIONS 402(b)(9) and (13) WHICH WOULD OTHERWISE ARISE FROM THE ENTRY OF THIS ORDER IS WAIVED PURSUANT TO 950 CMR SECTIONS 14.402 (b)(9)(f) and 14.402(b)(9)(13(i)(2).

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE SECURITIES DIVISION ALLEGED THAT KMS VIOLATED ITS SECURITIES LAWS WHEN IT ENGAGED IN TRANSACTIONS WITH MASSACHUSETTS RESIDENTS WITHOUT BEING REGISTERED.
Initiated By:	MASSACHUSETTS SECURITIES DIVISION
Date Initiated:	08/05/1992
Docket/Case Number:	92-082-E
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	

Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	THROUGH AN ORDER, THE SECRETARY OF STATE APPROVED KMS REGISTRATION UPON CONDITIONS INCLUDING THE PAYMENT OF ADMINISTRATIVE PENALTY OF $634 AND COSTS OF $250.
Resolution:	Order
Resolution Date:	08/05/1992
Sanctions Ordered:	Monetary/Fine $884.00
Other Sanctions Ordered:	
Sanction Details:	THROUGH AN ORDER, THE SECRETARY OF STATE APPROVED KMS REGISTRATION UPON CONDITIONS INCLUDING THE PAYMENT OF ADMINISTRATIVE PENALTY OF $634 AND COSTS OF $250.
Firm Statement	THROUGH AN ORDER, THE SECRETARY OF STATE APPROVED KMS REGISTRATION UPON CONDITIONS INCLUDING THE PAYMENT OF ADMINISTRATIVE PENALTY OF $634 AND COSTS OF $250. KMS IS LICENSED IN MASSACHUSETTS AND AND THE MATTER HAS BEEN RESOLVED.

Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.
The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
Arbitration Forum:	FINRA
Case Initiated:	12/03/2009
Case Number:	09-06707
Disputed Product Type:	OTHER TYPES OF SECURITIES
Sum of All Relief Requested:	$1,564,556.96
Disposition:	AWARD AGAINST PARTY
Disposition Date:	07/26/2011
Sum of All Relief Awarded:	$242,056.10

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; EXECUTIONS-FAILURE TO EXECUTE; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD

Case Initiated:	01/01/1988
Case Number:	88-02886
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	$35,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	07/19/1990
Sum of All Relief Awarded:	$17,281.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 3 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	08/29/1995
Case Number:	95-03835
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; LIMITED PARTNERSHIPS
Sum of All Relief Requested:	$100,000.01
Disposition:	AWARD AGAINST PARTY
Disposition Date:	07/09/1996
Sum of All Relief Awarded:	$83,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 2

Reporting Source:	Firm
Policy Holder:	KMS FINANCIAL SERVICES, INC.
Bonding Company Name:	U. S. FIRE INSURANCE COMPANY
Disposition:	Payout
Disposition Date:	12/15/2010
Payout Details:	$838,550.77 PAID OUT DECEMBER 15, 2010
Firm Statement	IN SEPTEMBER OF 2009, FORMER KMS REGISTERED REPRESENTATIVE ARTHUR LEROY HEFFELFINGER OF EAST HELENA, MONTANA, CONFESSED TO KMS THAT OVER THE PAST DECADE OR SO HE HAD BEEN RUNNING A PONZI SCHEME, STEALING MONEY FROM KMS INVESTMENT CLIENTS. KMS IMMEDIATELY TERMINATED HEFFELFINGER AND NOTIFIED THE REGULATORY AUTHORITIES. IN JANUARY OF 2010, THE STATE OF MONTANA CHARGED HEFFELFINGER WITH THREE FELONY COUNTS: OPERATING PONZI SCHEME, THEFT AND EXPLOITATION OF AN OLDER PERSON. HEFFELFINGER PLED GUILTY TO THE FIRST TWO COUNTS AND WAS FOUND GUILTY ON THE THIRD COUNT IN OCTOBER OF 2010. THE MONTANA COMMISSION OF SECURITIES AND INSURANCE ASSERTED TO KMS THAT KMS FAILED TO REASONABLY SUPERVISE HEFFELFINGER AND KMS AGREED TO PROVIDE RESTITUTION TO THE CLIENTS WHO WERE VICTIMS OF HEFFELFINGER'S CRIMINAL ACTS.

Disclosure 2 of 2

Reporting Source:	Firm
Policy Holder:	KMS FINANCIAL SERVICES, INC.
Bonding Company Name:	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA
Disposition:	Payout
Disposition Date:	11/08/1988
Payout Details:	$25,000 11/1988
Firm Statement	DONALD AND PATRICIA MINIHAN ALLEGED KMS WAS LIABLE FOR THE ACTION OF A FORMER KMS REG. REP., WHO CONVERTED TO HIS OWN PURPOSES, FUNDS ENTRUSTED TO HIM BY THE MINIHANS. KMS WAS NOT IMPLICATED IN THE FRAUD.

End of Report

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