

SEC Disclosure Form ADV Part II

According to Rule 204-3 (the “brochure rule”) of the Investment Advisors Act of 1940, the information contained in the SEC Form ADV Part II must be provided to prospective Advisory clients prior to entering into a contract.

The purpose of this document is to inform you of all material aspects of our firm's advisory services, fees, and key personnel. That information is provided herein.

Safeguarding Your Confidential Information

KMS does not sell your personal information to anyone; nor does KMS share your information with anyone except as required or permitted by law or as implicitly authorized by you. Certain information may be shared with sponsors of financial products and services you select. For example, if you invest in a mutual fund through KMS, you may complete an application that KMS forwards to that fund company.

KMS receives information about you in the normal course of providing financial services. This information is usually communicated to KMS by you or your Representative. If you or another financial institution (mutual fund, insurance company, clearing agent, or advisory firm) designate KMS as dealer of record for an account, that institution may provide KMS with related personal information.

KMS maintains physical, electronic, and procedural safeguards to protect your privacy. Access to your personal information is restricted to those employees and agents who need the information to provide the products and services you have selected.

KMS may permit your Representative to maintain access to your personal information to facilitate continuity of effective service to you in the event your Representative chooses to affiliate with a firm *other than* KMS.

KMS maintains a Business Continuity Plan (available upon request) describing how it intends to respond to possible significant business disruptions such as a natural disaster, power failure, or civil unrest. If a disruption affects the KMS Home Office, you should expect continued access to the company actually holding your investments (mutual fund family, clearing firm, insurance company, etc.). Also, you may want to contact your KMS Representative and/or www.kms.com or www.kmsfinancial.com (if operable), for updated information.

Account Protection: If you hold a brokerage account through KMS at Pershing LLC, that account is protected up to the total amount held in the account. Of this total, the Securities Investor Protection Corporation (SIPC) provides \$500,000 of coverage, including \$100,000 for claims for cash. Remaining coverage is provided by Pershing LLC through a commercial insurer. Account protection applies when a SIPC member firm fails financially and cannot meet its obligations to securities customers. It does *not* protect against losses from the rise and fall in market value of investments. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC at www.SIPC.org, or at (202) 371-8300.

Background Information on Investment Professionals: FINRA maintains an online tool to help investors check the background of investment professionals (securities firms and brokers) called BrokerCheck. For more information on this resource, a BrokerCheck brochure is available at www.finra.org or you may call the BrokerCheck Hotline at (800) 289-9999.

FORM ADV

Uniform Application for Investment Adviser Registration

Part II - Page 1

Name of Investment Adviser: KMS Financial Services, Inc.				
Address: (Number and Street) 2001 Sixth Avenue, Suite 2801	(City) Seattle	(State) WA	(Zip Code) 98121	Area Code: Telephone Number: (206) 441-2885

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Applicant: KMS Financial Services, Inc.	SEC File Number: 801-11375	Date: 05/21/2010
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1. **A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

<input checked="" type="checkbox"/> (1) Provides investment supervisory services	63%
<input checked="" type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services	26%
<input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above	7%
<input type="checkbox"/> (4) Issues periodicals about securities by subscription	%
<input type="checkbox"/> (5) Issues special reports about securities not included in any service described above	%
<input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities	%
<input checked="" type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities	1%
<input checked="" type="checkbox"/> (8) Provides a timing service	3%
<input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above	%

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

C. Applicant offers investment advisory services for: (check all that apply)

<input checked="" type="checkbox"/> (1) A percentage of assets under management	<input type="checkbox"/> (4) Subscription fees
<input checked="" type="checkbox"/> (2) Hourly charges	<input checked="" type="checkbox"/> (5) Commissions
<input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees)	<input type="checkbox"/> (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** - Applicant generally provides investment advice to: (check those that apply)

<input checked="" type="checkbox"/> A. Individuals	<input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations
<input type="checkbox"/> B. Banks or thrift institutions	<input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above
<input type="checkbox"/> C. Investment companies	<input type="checkbox"/> G. Other (describe on Schedule F)
<input checked="" type="checkbox"/> D. Pension and profit sharing plans	

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> A. Equity securities
<input checked="" type="checkbox"/> (1) exchange-listed securities
<input checked="" type="checkbox"/> (2) securities traded over-the-counter
<input checked="" type="checkbox"/> (3) foreign issues

<input checked="" type="checkbox"/> B. Warrants

<input checked="" type="checkbox"/> C. Corporate debt securities
(other than commercial paper)

<input checked="" type="checkbox"/> D. Commercial paper

<input checked="" type="checkbox"/> E. Certificates of deposit

<input checked="" type="checkbox"/> F. Municipal securities

G. Investment company securities:
<input checked="" type="checkbox"/> (1) variable life insurance
<input checked="" type="checkbox"/> (2) variable annuities
<input checked="" type="checkbox"/> (3) mutual fund shares | <input checked="" type="checkbox"/> H. United States government securities

I. Options contracts on:
<input checked="" type="checkbox"/> (1) securities
<input type="checkbox"/> (2) commodities

J. Futures contracts on:
<input type="checkbox"/> (1) tangibles
<input type="checkbox"/> (2) intangibles

K. Interests in partnerships investing in:
<input checked="" type="checkbox"/> (1) real estate
<input checked="" type="checkbox"/> (2) oil and gas interests
<input checked="" type="checkbox"/> (3) other (explain on Schedule F)

<input checked="" type="checkbox"/> L. Other (explain on Schedule F) |
|--|---|

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting | (4) <input checked="" type="checkbox"/> Cyclical |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical | |

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines | (5) <input checked="" type="checkbox"/> Timing services |
| (2) <input type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the
Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases |
| (4) <input checked="" type="checkbox"/> Corporate rating services | (8) <input type="checkbox"/> Other (explain on Schedule F) |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- | | |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions |
| (2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year) | (6) <input checked="" type="checkbox"/> Option writing, including covered options,
uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days) | (7) <input type="checkbox"/> Other (explain on Schedule F) |
| (4) <input checked="" type="checkbox"/> Short sales | |

Applicant: KMS Financial Services, Inc.	SEC File Number: 801-11375	Date: 05/21/2010
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5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No
 (If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

<input type="checkbox"/> (1) broker-dealer	<input type="checkbox"/> (7) accounting firm
<input type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input type="checkbox"/> (3) other investment adviser	<input type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?..... Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Applicant: KMS Financial Services, Inc.	SEC File Number: 801- 11375	Date: 05/21/2010
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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

KMS Investment Advisor Representatives (Advisor) offer their on-going investment advisory services through one of several KMS client services agreements. Under such agreements, the Advisor is primarily responsible for providing the investment advice. Advisors may also offer the on-going services of other investment advisors through third-party agreements. Under these agreements, Advisors recommend the third-party advisor and may recommend a particular investment objective or category; however, the third-party advisor is primarily responsible for providing the investment advice. KMS assumes the overall responsibility of supervising its Advisors' activity in approximately 13,800 accounts under both types of arrangements. Depending on the circumstances, Advisors review their advisory accounts quarterly, semi-annually or annually to determine whether the positions, transactions and strategies are consistent with the client's investment objective(s). Periodically, KMS employees and officers will also review the accounts for the same reason. Additionally, an account may be reviewed by any one of the three level of reviewers (Advisor, KMS employee or KMS officer) if triggered by a client's inquiry or client addition or withdrawal of funds. KMS has approximately 300 Advisors, approximately 10 officers and approximately 25 non-officer employees.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Schedule F

Applicant: KMS Financial Services, Inc.	SEC File Number: 801-11375	Date: 05/21/2010
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12. Investment or Brokerage Discretion.

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- | | | |
|--|---|--|
| (1) securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (4) commission rates paid? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

- B. Does applicant or a related person suggest brokers to clients? Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? Yes No
- B. directly or indirectly compensates any person for client referrals? Yes No

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
 - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? Yes No

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: KMS Financial Services, Inc.	SEC File Number: 801- 11375	Date: 05/21/2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: KMS Financial Services, Inc.	IRS Empl. Ident. No.: 91-0850651
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Item of Form (identify)	Answer														
Part II, Page 2: 1.D (1,2,3,7,8)	<p>Advisory Services and Fees:</p> <p><u><i>Since custodians do not verify the accuracy of fee calculations and deductions, clients are encouraged to do so. Any questions should be directed to the Advisor or KMS.</i></u></p> <p>Financial Planning Services may include the KMS Investment Advisor Representative's (Advisor) collection of financial data, development of income and net worth statements, estate analysis, estate tax calculations, income tax analysis, investment analysis, and preparation of a formal financial plan. KMS Advisors may provide occasional estate and personal income tax ideas to be reviewed and implemented by independent tax practitioners. (General Advisory Services Agreement)</p> <p>Fees: A one time fee is charged depending upon the complexity of the client's financial situation. Fees may be partially payable in advance, with the balance payable upon delivery of the plan.</p> <p>Portfolio Monitoring and Consulting Services includes the KMS Advisor's monitoring of a client's investment portfolio and making recommendations for appropriate investments or modifications based on the client's description of his/her primary investment objectives and needs and in recognition of the inherent risks of investing in the financial markets. Depending upon the circumstances, accounts may be held at Pershing LLC, Charles Schwab & Co., Inc., or TD Ameritrade. Accounts may be traded on a discretionary or non-discretionary basis. Accounts may pay transaction fees which will vary depending upon the type of investment and the custodian or clearing firm selected. Additionally, a KMS investment advisor representative (IAR) may negotiate with Schwab Institutional a transaction fee schedule unique to the IAR's respective client accounts that is different from the KMS standard transaction fee schedule.</p> <p>Fees: Portfolio Monitoring and Consulting Services (annualized)</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Basic Fee Schedule</th> </tr> </thead> <tbody> <tr> <td>Portfolio Assets Valued At:</td> <td></td> </tr> <tr> <td>On the first \$100,000</td> <td style="text-align: center;">1.75%</td> </tr> <tr> <td>On the next \$150,000</td> <td style="text-align: center;">1.50%</td> </tr> <tr> <td>On the next \$250,000</td> <td style="text-align: center;">1.25%</td> </tr> <tr> <td>On the next \$500,000</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td>On amounts over \$1 million</td> <td style="text-align: center;">.75%</td> </tr> </tbody> </table> <p>Fees are calculated and payable quarterly, semi-annually, or annually in advance, 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. Fees are negotiable and may be higher or lower than the basic schedule depending upon services provided by Advisor. Individual Advisors may impose a minimum account size and/or minimum fee. (Services are offered under one of the following agreements: Advisory Client Services Agreement, General Advisory Services Agreement, Portfolio Monitor Advisory Client Services Agreement, Investment Management Agreement.)</p> <p>Tactical Monitoring Services includes certain Advisors who offer a Tactical Monitoring Service that establishes objective-driven Asset Allocation Models in specified variable annuity sub-accounts, variable life sub-accounts, or mutual funds. Once established, the percentage allocations in the Models may change due to intervening market movements and to the authorized exchanges.</p>		Basic Fee Schedule	Portfolio Assets Valued At:		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 million	.75%
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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: KMS Financial Services, Inc.	SEC File Number: 801- 11375	Date: 05/21/2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: KMS Financial Services, Inc.	IRS Empl. Ident. No.: 91-0850651
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Item of Form (identify)	Answer																												
	<p>The Tactical Monitoring discipline combines Advisor’s subjective review, control and implementation of a trend following analysis of the portfolios provided by AdvisorGuide, an independent and unaffiliated entity that measures daily price movements.</p> <p>Fees: Tactical Monitoring Services (annualized)</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Fee Schedule</th> </tr> </thead> <tbody> <tr> <td>Portfolio Assets Valued At:</td> <td></td> </tr> <tr> <td>On the first \$250,000</td> <td>1.00%</td> </tr> <tr> <td>On the next \$250,000</td> <td>.75%</td> </tr> <tr> <td>On amounts over \$500,000</td> <td>.50%</td> </tr> </tbody> </table> <p>Fees are calculated and payable quarterly, semi-annually, or annually in advance, 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 KMS may agree to an adjustment in the fee schedule detailed above. (Services are offered under a Tactical Monitoring Advisory Services Agreement or Advisory Client Services Agreement.)</p> <p>Retirement Plan Consulting includes certain Advisors who assist clients in establishing Retirement Plan Accounts and in selecting funds to be made available to participants of the Plan. Services may also include participant education. The Retirement Plans are self directed by participants and KMS Advisor has no trading authority. Fees are negotiable depending upon services offered by Advisor. With written notice clients may terminate these contracts at any time and receive a full pro-rata refund of unearned fees. (Services are offered under a General Advisory Services Agreement or Plan Consulting Services Agreement.)</p> <p>KMS Portfolio Monitor Wrap Program KMS Portfolio Monitor Wrap is a program for investors who wish to benefit from the portfolio consulting services of a KMS Advisor. Consulting services include the KMS Advisor’s monitoring of a client’s investment portfolio and making recommendations for appropriate investments or modifications based on the client’s description of his/her primary investment objectives and needs and in recognition of the inherent risks of investing in the financial markets. Administrative services include comprehensive monthly statements and institutional-quality portfolio reports provided on a quarterly basis.</p> <p>Fees: KMS Portfolio Monitor-Wrap (annualized)</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Basic Wrap Fee Schedule</th> </tr> </thead> <tbody> <tr> <td>Portfolio Assets Valued At:</td> <td></td> </tr> <tr> <td>On the first \$100,000</td> <td>2.50%</td> </tr> <tr> <td>On the next \$150,000</td> <td>2.25%</td> </tr> <tr> <td>On the next \$250,000</td> <td>2.00%</td> </tr> <tr> <td>On the next \$500,000</td> <td>1.75%</td> </tr> <tr> <td>On the next \$1,000,000</td> <td>1.50%</td> </tr> <tr> <td>On the next \$3,000,000</td> <td>1.25%</td> </tr> <tr> <td>On amounts over \$5,000,000</td> <td>1.00%</td> </tr> </tbody> </table> <p>Fees are calculated and payable quarterly, in advance, based on the portfolio value as of the last</p>		Fee Schedule	Portfolio Assets Valued At:		On the first \$250,000	1.00%	On the next \$250,000	.75%	On amounts over \$500,000	.50%		Basic Wrap Fee Schedule	Portfolio Assets Valued At:		On the first \$100,000	2.50%	On the next \$150,000	2.25%	On the next \$250,000	2.00%	On the next \$500,000	1.75%	On the next \$1,000,000	1.50%	On the next \$3,000,000	1.25%	On amounts over \$5,000,000	1.00%
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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: KMS Financial Services, Inc.	SEC File Number: 801- 11375	Date: 05/21/2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: KMS Financial Services, Inc.	IRS Empl. Ident. No.: 91-0850651
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Item of Form (identify)	Answer
	<p>business day of the prior quarter. With written notice clients may terminate these contracts at any time and receive a full pro-rata refund of unearned fees. Client and KMS may agree to an adjustment in the fee schedule detailed above. In addition, KMS Portfolio Monitor Wrap clients will incur postage and handling charges, typically \$2.50 per transaction, and may also incur SEC charges on certain transactions. (Services are offered under a Portfolio Monitor Wrap Advisory Client Services Agreement.)</p> <p>SubAdvisor Relationships From time to time KMS may enter into agreements with other Registered Investment Advisors to provide clients of KMS with investment advisory services, research and advice and act as a portfolio manager. KMS at all times shall remain the overall client relationship manager and investment advisor and will share in the fee arrangement. Services are offered through the appropriate KMS advisory agreement.</p> <p><u>Sound Investment Strategies, Inc.</u> (Advisory Services Agreement) \$0 to \$999,999 1.25% \$1 million and above Negotiable Accounts are held at Pershing LLC, KMS Branch 4LJ</p> <p><u>Hoefler & Arnett Capital Management, Inc.</u> (Asset Management Advisory Services) On the first \$1,000,000 1.60% On the next \$1,500,000 1.20% On amounts over \$2,500,000 .80% Accounts are held at Pershing LLC, KMS Branch 4LJ</p> <p><u>SEI Investments Asset Allocation Portfolios</u> (SEI Advisory Services Agreement) Standard Fee Schedule: On the first \$250,000 1.50% On the next \$250,000 1.25% On the next \$500,000 1.00% On the next \$1,000,000 .75% On amounts over \$2 million .50%</p> <p>Special Fee Schedule: On the first \$500,000 1.25% On the next \$1 million 1.15% On the next \$2 million 1.00% On the next \$3 million .75% On amounts over \$30 million .50%</p> <p>Accounts are held at SEI Trust Company</p> <p><u>SNW Asset Management, LLC</u> (Advisory Services Agreement) .30% if the account has less than \$2,500,000 assets under management, .25% if the account has more than \$2,500,000 assets under management. If an account has more than \$50,000,000 assets under management, the fee is negotiable. Accounts are held at Pershing LLC, KMS Branch 4LJ, or at Charles Schwab & Co., Inc.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: KMS Financial Services, Inc.	SEC File Number: 801- 11375	Date: 05/21/2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: KMS Financial Services, Inc.	IRS Empl. Ident. No.: 91-0850651
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Item of Form (identify)	Answer										
	<p><u>Lesa Sroufe & Co., Inc.</u> (General Advisory Services Agreement, and Client Service and Referral Agreement)</p> <table> <tr> <td>On the first \$100,000</td> <td>1.75%</td> </tr> <tr> <td>On the next \$150,000</td> <td>1.50%</td> </tr> <tr> <td>On the next \$250,000</td> <td>1.25%</td> </tr> <tr> <td>On the next \$500,000</td> <td>1.00%</td> </tr> <tr> <td>On amounts over \$1 million</td> <td>.75%</td> </tr> </table> <p>Accounts may be held at Pershing LLC, KMS Branch 4LJ, or Charles Schwab & Co., Inc.</p> <p>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 KMS may agree to an adjustment in the fee schedules detailed above.</p> <p><u>Schwab Managed Account Programs</u></p> <p>Assets with Charles Schwab Institutional Managed Account <i>Select</i> Program are charged a program fee (Wrap Program) as detailed in the Schwab Managed Account Select application and agreement. Assets with Charles Schwab Institutional Managed Account <i>Marketplace</i> Program are charged independently 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 services. With written notice clients may terminate these contracts at any time. (Services are offered under Advisory Services Agreement/Schwab Managed Account Program.)</p> <p>Accounts Under Third Party Advisors</p> <p>Third Party Advisors provide various services described in their marketing materials and contracts. The KMS Advisor may recommend a Third Party Advisor and/or may recommend a particular investment objective or category.</p> <p>Fees: Fee schedules vary and are published within their own contracts and disclosure documents, including their respective Form ADV, Part II. 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 paid in advance, receive a full pro-rata refund of unearned fees. Depending upon the Third Party Advisor, fees may be negotiable within pre-established limits.</p> <p>Third Party Advisor relationships include: Arbor Capital Management, Inc., Aris Wealth Services, Inc., BAC Capital Advisors, LLC, Badgley, Phelps and Bell, Inc., Brinker Capital, Inc., BTS Asset Management, Clark Capital Management Group, Inc., CLS Investment Firm LLC, CMG Capital Management Group, Inc., Curian Capital LLC, Envestnet Asset Management, ePlan Advisors, LLC, Equis Capital Management, First Affirmative Financial Network LLC, Flexible Plan Investments, Ltd., Foxhall Capital Management, Inc., FTJ Fund Choice, LLC, FundQuest Incorporated, Genworth Financial Wealth Management, Inc., Global Bridge Advisors, Inc., Hanlon Investment Management, Inc., Harmony Investment Management, Inc., ICON Advisers, Inc., Independent Portfolio Consultants, Lockwood Capital Management, Inc., Manning & Napier Advisory Advantage Corporation, Marshall & Sullivan, Inc., Merriman, Inc., Morningstar Investment Services, Inc., Niemann Capital Management, Paragon Investment Management, Inc., Portfolio Design Advisors, Inc., Portfolio Strategies Inc., Purcell Advisory Services, LLC, Sharebuilder</p>	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 million	.75%
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Complete amended pages in full, circle amended items and file with execution page (page 1).

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Part II, Page 3: 3.K(3)	<p>Advisors, LLC, Strategic Equity Management, Inc., The Managers Funds, The Pacific Financial Group, Inc., TD Ameritrade Institutional/Placemark Investments.</p> <p>Occasionally KMS offers advice on interests in partnerships investing in real estate, oil & gas, and equipment leasing.</p>	
Part II, Page 3 : 3.L	Occasionally Advisors may recommend or solicit qualified clients to invest in investment vehicles often known as "hedge funds."	
Part II, Page 4: 5	<p>Education and Business Standards</p> <p>Investment Advisor Representatives (Advisors):</p> <ul style="list-style-type: none"> -minimum of college degree or work experience -FINRA: Series 6 and Series 65 or Series 7 and Series 66 (or State grandfathering) <p>Principal Executive Officers:</p> <ul style="list-style-type: none"> -minimum of college degree or work experience -FINRA: Series 6 and Series 65 or Series 7 and Series 66 (or State grandfathering) and Series 24 <p>Mark Hamby - Born 1951 University of Illinois, Champagne-Urbana, IL - B. S. Music Education President/CEO - KMS Financial Services, Inc.</p> <p>Eric S. Westberg - Born 1958 University of Colorado, Boulder, CO - B. A. Environmental Conservation Gonzaga University School of Law, Spokane, WA - J. D. Managing Director, Chief Operating Officer & General Counsel - KMS Financial Services, Inc.</p> <p>Sandra L. Harley - Born 1946 Sr. Vice President, Advisory & Insurance Operations - KMS Financial Services, Inc.</p>	
Part II, Page 4: 7.A.B.C	KMS Financial Services, Inc. is primarily a securities broker/dealer and as such sells securities products and services.	
Part II, Page 5: 9.A.B.E	<p>KMS, as a broker/dealer, participates or has interest in certain client transactions. Restrictions and internal procedures are detailed in the KMS Policy Manual. The KMS Policy Manual and KMS compliance procedures are also reviewed with representatives at least annually. Any time KMS is acting in its capacity as an investment advisor, it uses Form ADV Part II to disclose the relationship between its advisory services and its brokerage services.</p> <p>As required by SEC rules, KMS has adopted an Investment Advisory Code of Ethics confirming current KMS Compliance Policies and Procedures. In summary, KMS' Code of Ethics (1) requires full and fair disclosure of all material elements of the investment advisory relationship to the client; (2) requires compliance with certain Policies on Personal Securities Trading, which, in general, (a) prohibits an Advisor from trading a security before a client and (b) prohibits an Advisor from opening or having a personal securities trading account without prior written approval from KMS; (3) prohibits an Advisor from acting on or distributing material non public information; and (4) prohibits an Advisor from participating in an initial public offering without prior written approval from KMS' President. A copy of the full text is available upon request.</p>	
Part II, Page 5: 10	Conditions for Managing Accounts: See relevant contracts and fee schedules detailed in Item 1.D.	

Complete amended pages in full, circle amended items and file with execution page (page 1).

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Item of Form (identify)	Answer
Part II, Page 6: 13.A	<p>the rationale for deviating from the pre-determined allocation. Such documentation needs to be shared with KMS and retained.</p> <p>Trade Errors: KMS has the responsibility to execute orders correctly, promptly and in the best interest of its clients. In the event an error occurs in the handling of a trade due to KMS or Advisor's action or inaction, KMS' will seek to promptly identify and correct such error without disadvantaging the client or clients involved.</p> <p>KMS and Advisors may receive compensation from mutual fund companies in the form of 12b1 fees. KMS and Advisors may also receive compensation from insurance companies in the form of variable annuity and variable life trail commissions.</p> <p>In addition, KMS and Advisors may receive certain economic benefits from firms that custody assets such as Pershing LLC, Charles Schwab & Co., Inc., or TD Ameritrade. These benefits may include various technology tools and other products or services that assist in managing and servicing client accounts. It may also include services intended to assist in the management and further development of business such as educational events, publications, and practice management. Further, such firms may provide discounts on products or services provided by third-party vendors.</p> <p>Although the decision as to where to custody assets is ultimately made by the client, the Advisor's recommendation may take into account the availability of some of these products and services, which may create a potential conflict of interest.</p>
Part II, Page 6:13.B	<p>KMS has a relationship with Hanson McClain Retirement Network, LLC ("HMNR") a registered broker-dealer and investment advisor. Through the Hanson McClain Partner Program, a client acquisition program, HMRN provides KMS Investment Advisor Representatives ("IAR") and Registered Representatives ("RR") marketing support, training and client introductions in exchange for a portion of the commission or investment advisory fees earned by KMS. All client investment recommendations and specific advice are provided solely by the KMS IARs and/or RRs. KMS IAR will provide a separate Solicitor Disclosure Statement regarding the HMRN arrangement, a copy of KMS' ADV II and any relevant Investment Advisory Agreement.</p>

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