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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549



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Annual Audited Report Form X-17A-5 Part III

Facing Page
Information
Required of Brokers and Dealers
Pursuant to Section 17 of the Securities
Exchange Act of 1934 and Rule 17a-5 Thereunder

SEC File No. 8-30177 8-66999

Report For the Period Beginning January 1, 2009 and Ending December 31, 2009
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

Name of Broker-Dealer:

Key Investment Services LLC

Official Use Only
31-4300906
FIRM ID. NO.

Address of Principal Place of Business:
(Do not use P.O. Box No.)

4900 Tiedeman Road

(No. and Street)

Brooklyn
(City)

Ohio
(State)

44144
(Zip Code)

Name and Telephone Number of Person to Contact in Regard to This Report

Mr. Lawrence E. Martin, Chief Financial Officer

(216) 813-6034

(Area Code—Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
(Name—if individual, state, last, first, middle name)

Ernst & Young LLP

Suite 1300, 925 Euclid Ave.
(Address)

Number and Street

Cleveland
City

Ohio
State

44115-1476
(Zip Code)

Check One:

<input checked="" type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Certified Public Accountant

Public Accountant

Accountant not resident in U.S. or any of its possessions.

For Official Use Only

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

SEC 1410 (1-78)

6/25/10

OATH OR AFFIRMATION

Key Investment Services LLC
Member FINRA/SIPC


Mailcode: OH-01-49-3TBC
4900 Tiedeman Road
Brooklyn, OH 44144

Toll Free: 888-KIS-2YOU

I, **Lawrence Martin** swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **Key Investment Services LLC**, as of **December 31, 2009**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Security accounts of principal officers and directors are classified as customer accounts (debits \$0, credits \$0)

CLAIRE PILDNER
Notary Public, State of Ohio
My Commission Expires March 28, 2010



Signature

Chief Financial Officer
Title



Notary Public

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see Section 240.17a5(e)(3).

Investments and insurance products made available through Key Investment Services LLC are:

**• NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT
• NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY**

Securities and Exchange Commission

Washington, D.C 20549

Annual Audit Report

For the period from January 1, 2009 through December 31, 2009

Key Investment Services LLC.

(Name of Respondent)

4900 Tiedeman Road

Brooklyn, Ohio 44144

(Address of principal executive office)

Mr. Lawrence E. Martin
Chief Financial Officer
Key Investment Services LLC

4900 Tiedeman Road
Brooklyn, Ohio 44144
Telephone No. (216) 813-6034

Key Investment Services LLC
Financial Statements and Schedule

December 31, 2009

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Report of Independent Registered Public Accounting Firm

The Member
Key Investment Services LLC

We have audited the accompanying statement of assets, liabilities and member's interest of Key Investment Services LLC (the Company) as of December 31, 2009, and the related statements of operations, changes in member's interest, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Key Investment Services LLC at December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

Cleveland, Ohio
February 24, 2010

Key Investment Services LLC

Statement of Assets, Liabilities, and Member's Interest

December 31, 2009

Assets

Cash and cash equivalents	\$ 22,315,249
Trading investments	10,524,260
Receivable from brokers and dealers	4,836,967
Prepaid expenses	1,083,657
Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of \$316,724	147,719
Other assets	1,431,421
	<u>\$ 40,339,273</u>

Liabilities and Member's Interest

Accrued compensation	\$ 5,832,601
Federal and state taxes payable	10,084,760
Accounts payable, accrued expenses, and other liabilities	1,085,105
	<u>17,002,466</u>
Member's interest	23,336,807
	<u>\$ 40,339,273</u>

See accompanying notes to financial statements.

Key Investment Services LLC

Statement of Operations

Year Ended December 31, 2009

Revenues	
Commissions	\$ 70,586,649
Principal transactions	372,441
Interest and dividends	144,197
Other	<u>2,061,452</u>
	73,164,739
Expenses	
Employee compensation and benefits	42,133,793
Communications	992,965
Occupancy and equipment	11,462,882
Promotion and development	1,773,094
Floor brokerage and clearance	2,700,607
Taxes, other than income taxes	77,494
Other operating expenses	<u>771,029</u>
	59,911,864
Income before income taxes	<u>13,252,875</u>
Provision (benefit) for income taxes	
Federal:	
Current	4,914,127
Deferred	(402,357)
State and local:	
Current	505,138
Deferred	<u>(43,659)</u>
	<u>4,973,249</u>
Net increase in Member's interest resulting from operations	<u><u>\$ 8,279,626</u></u>

See accompanying notes to financial statements.

Key Investment Services LLC

Statement of Changes in Member's Interest

Year Ended December 31, 2009

Balance at January 1, 2009	\$ 21,057,181
Net increase in Member's interest resulting from operations	8,279,626
Net decrease in Member's interest resulting from capital distribution	<u>(6,000,000)</u>
Balance at December 31, 2009	<u>\$ 23,336,807</u>

See accompanying notes to financial statements.

Key Investment Services LLC

Statement of Cash Flows

Year Ended December 31, 2009

Operating activities

Net income	\$ 8,279,626
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	99,151
Deferred compensation	(18,457)
Deferred income taxes	(446,016)
Changes in operating assets and liabilities:	
Decrease in receivable from brokers and dealers	1,538,381
Decrease in other assets	77,800
Increase in trading investments	(10,197,140)
Increase in prepaid expenses	(31,669)
Increase in accrued compensation	1,537,248
Increase in federal and state taxes payable	4,659,585
Decrease in accounts payable, accrued expenses, and other liabilities	<u>(1,464,487)</u>
Net cash provided by operating activities	4,034,022

Investing activities

Net increase in furniture, equipment, and leasehold improvements	(205,507)
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Financing activities

Distribution of capital to Member	<u>(6,000,000)</u>
Decrease in cash and cash equivalents	(2,171,485)
Cash and cash equivalents at beginning of fiscal year	<u>24,486,734</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 22,315,249</u></u>

See accompanying notes to financial statements.

Key Investment Services LLC

Notes to Financial Statements

December 31, 2009

1. Organization

Key Investment Services LLC (the “Company”), is an Ohio limited liability company whose sole member is KeyBank National Association (the “Company” or the “Member”), which in turn is a wholly owned subsidiary of KeyCorp (the “Parent”). The Company is a registered full service introducing broker-dealer under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company was formed on June 8, 2005 with a capital contribution of \$1,000,000 on June 22, 2005. FINRA (formerly NASD) granted approval on November 17, 2005. The Company sells primarily investment company shares and fixed and variable rate annuity contracts through licensed/registered representatives located in some of the Bank’s branches in Ohio, Michigan, Indiana, New York, Maine, Vermont, Washington, Oregon, Alaska, Idaho, Colorado and Utah. In addition to sales of investment company shares and annuity contracts, the Company sells corporate debt and equity securities, unit investment trusts, US government securities, managed products and life insurance contracts.

The Company clears its securities transactions on a fully disclosed basis through Pershing, LLC.

2. Significant Accounting Policies

Cash and cash equivalents represent cash in banks and excess cash investments in short term instruments.

Furniture, equipment, and leasehold improvements, which consist mainly of furniture, fixtures and office equipment, are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets, which vary from 3 to 5 years.

Commission income and related expenses are recorded in the accompanying financial statements on a settlement date basis. No material differences resulted from recognizing the revenue and expenses on a settlement date basis, rather than on a trade date basis.

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Key Investment Services LLC

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

In May 2009, the FASB issued new accounting guidance regarding subsequent events. This accounting guidance is similar to the previously existing standard, with some exceptions that do not result in significant changes in practice. This new guidance was effective on a prospective basis for interim or annual financial periods ending June 15, 2009 (effective June 30, 2009 for the Company). In preparing these financial statements, we evaluated subsequent events through the time the financial statements were issued. In preparing these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to financial statement users or filed with the SEC. In compliance with applicable accounting standards, all material subsequent events have been either recognized in the financial statements or disclosed in the notes to the financial statements.

In June 2009, the FASB issued accounting guidance that establishes the Codification as the single source of authoritative nongovernmental GAAP. As of the effective date, all existing accounting standard documents were superseded, and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification was launched on July 1, 2009, and is effective for interim and annual periods ending after September 15, 2009 (effective September 30, 2009 for the Company).

3. Related-Party Transactions

In the ordinary course of business, the Company enters into transactions with the Parent and its affiliates.

The Parent and affiliated companies provide certain support services to the Company. Services include legal, human resources, payroll, tax, risk management, insurance, communications, facilities, distribution, printing, and computer processing. Charges from affiliates for 2009 were:

Occupancy and equipment	\$ 4,462,623
Corporate insurance	961,818
Corporate computer processing and technology services	4,973,069

The Company also made a distribution of capital to the Member for the amount of \$6,000,000 in the calendar year of 2009.

Key Investment Services LLC

Notes to Financial Statements (continued)

4. Income Taxes

Effective December 1, 2007 the Company adopted the accounting guidance for Accounting for Uncertainty in Income Taxes, which is an interpretation of the existing guidance on accounting for income taxes. This guidance on accounting for uncertainty in income taxes prescribes a comprehensive model for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under this accounting guidance, tax positions are recognized in the financial statements when it is more likely than not, the position will be sustained upon examination by the tax authorities.

Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely (more-likely-than-not) of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. The guidance also revises disclosure requirements to include an annual tabular roll forward of unrecognized tax benefits. The Company's management believes there is no tax liability resulting from unrecognized tax benefits related to uncertain tax positions taken at December 31, 2009.

The Company is a single member LLC treated for tax purposes as a division of the Bank and therefore is included in the consolidated federal income tax return filed by the Parent. For financial reporting purposes, the Parent follows the policy of allocating the consolidated income tax provision among the parent and its subsidiaries on a separate return basis, which includes any tax credits or carryovers and carrybacks, subject to recognition of such items on a consolidated basis. The Company files separate state tax returns.

The difference between income taxes and the amount computed by applying the statutory Federal tax rate of 35% to income before taxes is as follow:

Expected income tax at U.S. statutory tax rate	\$ 4,638,506
State taxes	299,961
Disallowed meals and entertainment	37,781
Other	(2,999)
Income tax expense	<u>\$ 4,973,249</u>

Key Investment Services LLC

Notes to Financial Statements (continued)

4. Income Taxes (continued)

The deferred income tax expense (benefit) for the year ended December 31, 2009, consists of the following:

Employee compensation accruals	\$ (575,093)
Depreciation and amortization	(3,699)
State taxes	49,732
Other	83,044
Total deferred tax benefit	<u>\$ (446,016)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of December 31, 2009 are as follows:

Deferred tax assets:	
Employee compensation accruals	\$ 1,085,004
Depreciation	7,609
State taxes	31,700
Other	327,591
Total net deferred tax assets	<u>\$ 1,451,904</u>

An assessment is conducted of all available evidence to determine the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded. This evidence includes taxable income in prior periods, projected future taxable income and projected future reversals of deferred tax items. Based on these criteria, the Company currently believes it is more-likely-than-not that the net deferred tax asset will be realized in future periods.

During the year ended December 31, 2009, the Company paid the Parent \$603,570 for State income taxes.

Key Investment Services LLC

Notes to Financial Statements (continued)

5. Commitments and Contingencies

Since the Company is an introducing broker-dealer, securities transactions are processed by a clearing broker-dealer on a fully disclosed basis. Therefore, the Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934. The services provided by the clearing broker-dealer include the execution of certain securities transactions, the preparation of customer trade confirmations, the maintenance of customer accounts, and the custody and delivery of securities. In conjunction with this arrangement, the Company is contingently liable for the payment of securities purchased and the delivery of securities sold by customers. No losses from such contingencies have been incurred or are anticipated by management.

6. Net Capital Requirements

The Company is subject to the uniform net capital rule under the Securities Exchange Act of 1934. This rule prohibits the Company from engaging in any securities transactions whenever its "aggregate indebtedness" (as defined) exceeds 15 times its "net capital" (as defined). Under such rule, the Company may be required to reduce its business if its "net capital ratio" (as defined) exceeds 12 to 1, and it may be prohibited from expanding its business if its net capital ratio exceeds 10 to 1.

As a full service introducing broker-dealer, the Company is required to maintain minimum net capital of the greater of \$250,000 or 6 2/3% of aggregate indebtedness. At December 31, 2009, the minimum amount required was approximately \$1,133,498. At December 31, 2009, the Company's net capital and aggregate indebtedness to net capital ratio was \$12,523,211 and 1.36 to 1, respectively.

7. Employee Benefit Plans

Employees of the Company are covered under a 401(K) plan sponsored by the Parent which permits eligible employees to contribute 1% to 25% of eligible compensation with up to 6% being eligible for matching contributions in the form of KeyCorp common shares. For the year ended December 31, 2009, the Company's contribution expense was \$ 1,213,991.

Substantially all of the Company's employees who meet certain specified conditions are eligible for benefits under a noncontributory pension plan, group medical and dental plans, and postretirement health care and life insurance plans established by the Parent. The costs related to the plans incurred by the Parent on behalf of the Company's employees are allocated to the

Key Investment Services LLC

Notes to Financial Statements (continued)

7. Employee Benefit Plans (continued)

Company based on management's estimate of the Company's proportionate share of the related costs. The Company's allocated cost for the year ended December 31, 2009 was \$3,315,273.

8. Fair Value Measurements

Effective January 1, 2008, the Company adopted the applicable accounting guidance for fair value measurements and disclosures for all applicable financial and nonfinancial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value, expands disclosures about fair value measurements, and applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value in any new circumstances.

As defined in the guidance, fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market. It represents an exit price at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured. Current market conditions, including imbalances between supply and demand, are considered in determining fair value.

The Company values its assets and liabilities in the principal market where it sells the particular asset or transfers the liability with the greatest volume and level of activity. In the absence of a principal market, the valuation is based on the most advantageous market for the asset or liability (i.e., the market where the asset could be sold at a price that maximizes the amount to be received or the liability transferred at a price that minimizes the amount to be paid). In the absence of observable market transactions, liquidity valuation adjustments are considered to reflect the uncertainty in pricing the instruments.

In measuring the fair value of an asset, the Company assumes the highest and best use of the asset by a market participant to maximize the value of the asset, and does not consider the intended use of the asset.

Key Investment Services LLC

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

When measuring the fair value of a liability, the Company assumes the nonperformance risk associated with the liability is the same before and after the transfer. Nonperformance risk is the risk that an obligation will not be satisfied and encompasses not only the Company's own credit risk (i.e., the risk that the Company will fail to meet its obligation), but also other risks such as settlement risk (i.e., the risk that upon termination or sale, the contract will not settle). The Company considers the effect of its own credit risk on the fair value for any period in which fair value is measured.

There are three acceptable techniques that can be used to measure fair value: the market approach, the income approach and the cost approach. Selection of the appropriate technique for valuing a particular asset or liability requires consideration of the exit market, the nature of the asset or liability being valued, and how a market participant would value the same asset or liability. Ultimately, determination of the appropriate valuation method requires significant judgment. Moreover, sufficient knowledge and expertise are required to apply the valuation techniques.

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability. Inputs can be observable or unobservable. Observable inputs are assumptions that are based on market data and obtained from an independent source. Unobservable inputs are assumptions based on the Company's own information or assessment of assumptions used by other market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date.

All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy that gives the highest ranking to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest ranking to unobservable inputs (Level 3). Fair values for assets or liabilities classified as Level 2 are based on one or a combination of the following factors: (a) quoted prices for similar assets or liabilities; (b) observable inputs, such as interest rates or yield curves; or (c) inputs derived principally from or corroborated by observable market data. The level in the fair value hierarchy ascribed to a fair value measurement in its entirety is based on the lowest level input that is significant to the overall fair value measurement. The Company considers an input to be significant if it drives 10% or more of the total fair value of a particular asset or liability. Assets and liabilities may transfer between Levels based on the observable and unobservable inputs used at the valuation date, as the inputs may be impacted by certain market conditions.

Key Investment Services LLC

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

Qualitative Disclosures of Valuation Techniques

Securities (trading and available for sale). Securities are classified as Level 1 when quoted market prices are available in an active market for those identical securities. Level 1 instruments include exchange-traded equity securities. If quoted prices for identical securities are not available, we determine fair value using pricing models or quoted prices of similar securities. These instruments, classified as Level 2 assets, include municipal bonds and other bonds backed by the U.S. government, corporate bonds, certain mortgage-backed securities, securities issued by the U.S. Treasury and certain agency and corporate collateralized mortgage obligations. Inputs to the pricing models include actual trade data (i.e., spreads, credit ratings and interest rates) for comparable assets, spread tables, matrices, high-grade scales, option-adjusted spreads and standard inputs, such as yields, broker/dealer quotes, bids and offers. At December 31, 2009, the Company did not have any Level 3 assets.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis in accordance with U.S. Generally Accepted Accounting Principles. These assets and liabilities are measured at fair value on a regular basis. The following table shows the Company's assets and liabilities measured at fair value on a recurring basis.

<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets Measured on a Recurring Basis				
Total assets on a recurring basis at fair value:				
Other securities	<u>\$ 10,524,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,524,260</u>

Supplemental Information

Key Investment Services LLC

Schedule I

Computation of Net Capital Pursuant to Rule 15c3-1

Year Ended December 31, 2009

NET CAPITAL	
Total Member's Interest qualified for net capital	\$ 23,336,807
DEDUCTIONS AND OTHER CHARGES:	
Nonallowable assets:	
Furniture, equipment, and leasehold improvements	\$ (147,719)
Prepaid expenses	(1,083,657)
Other assets	<u>(7,244,939)</u>
	(8,476,315)
HAIRCUTS ON SECURITIES AND INVENTORY	<u>(2,337,281)</u>
NET CAPITAL	<u>\$ 12,523,211</u>
AGGREGATE INDEBTEDNESS – Items included in statement of financial condition:	
Liabilities	<u>\$ 17,002,466</u>
DIVIDED BY	15
MINIMUM NET CAPITAL REQUIREMENT	<u>\$ 1,133,498</u>
MINIMUM DOLLAR REQUIREMENT	\$ 250,000
NET CAPITAL REQUIREMENT	<u>1,133,498</u>
EXCESS NET CAPITAL	<u>\$ 11,389,713</u>
RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL	1.36 TO 1

NOTE: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2009 as filed on the amended Form X-17A-5 filed by the Company on February 22, 2010.

See accompanying Report of Independent Registered Public Accounting Firm.

Key Investment Services LLC

Schedule II

Statement Regarding Rule 15c3-3

December 31, 2009

The company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

See accompanying Report of Independent Registered Public Accounting Firm.

Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Member
Key Investment Services LLC

In planning and performing our audit of the financial statements of Key Investment Services LLC (the Company), as of and for the year ended December 31, 2009, in accordance with the standards of the Public Company Accounting Oversight Board (United States), we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company including any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

Cleveland, Ohio
February 24, 2010

Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures

The Member
Key Investment Services LLC

We have performed the procedures enumerated below, which were agreed to by The Member and management of Key Investment Services LLC (the “Company”), the Securities Investor Protection Corporation (SIPC), the Securities and Exchange Commission and the Financial Industry Regulatory Authority, in accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934. We performed the procedures solely to assist the specified parties in evaluating the Company’s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the period April 1, 2009 through December 31, 2009. The Company’s management is responsible for the Company’s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments on Form SIPC-7T to cash disbursement records entries including cleared checks and bank statements.

There were no findings.

2. Compared the amounts reported on the Statement of Income (Loss) derived from the FOCUS reports and the general ledger to amounts reported on Form SIPC-7T for the period April 1, 2009 through December 31, 2009.

There were no findings.

3. Compared any adjustments reported on Form SIPC-7T with the FOCUS reports for the period April 1, 2009 through December 31, 2009.

There were no adjustments.

4. Proved the arithmetical accuracy of the calculations reflected on Form SIPC-7T and in the related supporting schedules and working papers supporting the adjustments.

There were no findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the period April 1, 2009 through December 31, 2009. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

Cleveland, Ohio
February 24, 2010

SIPC-7T

(29-REV 12/09)

SECURITIES INVESTOR PROTECTION CORPORATION
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215
202-371-8300

Transitional Assessment Reconciliation

(Read carefully the instructions in your Working Copy before completing this Form)

SIPC-7T

(29-REV 12/09)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

066999 FINRA DEC
KEY INVESTMENT SERVICES LLC 13*13
MAIL CODE OH-01-49-3TBC
ATTN: GARY MAROUSEK
4900 TIEDEMAN RD # OH-01-493TBC
BROOKLYN OH 44144-2336

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

- 2. A. General Assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 5,193
- B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) (1,948)
11/3/09 and 7/22/09
Date Paid
- C. Less prior overpayment applied (0)
- D. Assessment balance due or (overpayment) 3,245
- E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum _____
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 3,245
- G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 3,245
- H. Overpayment carried forward \$(_____)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Key Investment Services LLC
(Name of Corporation, Partnership or other organization)
Garymar E. Marousek
(Authorized Signature)
CFO
(Title)

Dated the 22 day of February, 20 10.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER
Dates: _____
Postmarked _____ Received _____ Reviewed _____
Calculations _____ Documentation _____ Forward Copy _____
Exceptions: _____
Disposition of exceptions: _____

**DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT**

Amounts for the fiscal period
beginning April 1, 2009
and ending December 31, 2009
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12; Part IIA Line 9, Code 4030)

\$ 55,585,524

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

114,063
114,063

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

53,102,901

129,028

Interest Income, Broker Income (Customer Fees), Misc. Income 390,472

(9) (i) Total interest and dividend expense (FOCUS Line 22; PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ _____

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ _____

Enter the greater of line (i) or (ii)

Total deductions

53,622,401
2,077,186
5,193

2d. SIPC Net Operating Revenues

\$ _____

2e. General Assessment @ .0025

\$ _____

(to page 1 but not less than \$150 minimum)