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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-28032

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

REPORT FOR THE PERIOD BEGINNING 7/1/2007 AND ENDING 6/30/2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Keystone Capital Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3511 Camino del Rio South  
(No. and Street)

San Diego, CA 92108

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Alfred E. Monahan

(619) 283-3550

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BOROS & FARRINGTON

(Name - if individual, state last, first, middle name)

11770 Bernardo Plaza Court, Suite 200 San Diego, CA 92128

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**PROCESSED**  
SEP 05 2008

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AUG 29 2008

Washington, DC  
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\* 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).

8/15/08

## OATH OR AFFIRMATION

I, Alfred E. Monahan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Keystone Capital Corporation, as of June 30, 2008, 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:

\_\_\_\_\_

None

\_\_\_\_\_

\_\_\_\_\_

*Alfred E. Monahan*

Signature

*CFU*

Title

*Sandra L. Booth*

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 Cash Flows.
- (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 of 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 240.17a-5(e)(3).

**KEYSTONE CAPITAL CORPORATION**

**Financial Statements**

**And**

**Independent Auditor's Report**

**June 30, 2008**

# KEYSTONE CAPITAL CORPORATION

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# Boros & Farrington

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

11770 Bernardo Plaza Court, Suite 210  
San Diego, CA 92128-2424  
(858) 487-8518 Fax (858) 487-6794

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Keystone Capital Corporation

We have audited the accompanying statement of financial condition of Keystone Capital Corporation as of June 30, 2008, and the related statements of operations, changes in stockholders' equity, 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 standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 Keystone Capital Corporation at June 30, 2008 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 of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedule of computation of net capital pursuant to Rule 15c3-1 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 of the Securities Exchange Commission. Such information has been subjected to the auditing procedures applied in the 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.

*Boros & Farrington APC*

BOROS & FARRINGTON APC  
San Diego, California  
August 21, 2008

# KEYSTONE CAPITAL CORPORATION

## Statement of Financial Condition

June 30, 2008

### ASSETS

Cash	\$ 13,716
Deposit with clearing organization	<u>28,222</u>
Cash and cash equivalents	41,938
Commissions receivable	<u>9,194</u>
Total assets	<u>\$ 51,132</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Accounts payable and accrued liabilities	<u>\$ 3,158</u>
Stockholders' equity	
Common stock, 1,000 shares authorized; 350 shares issued and outstanding	3,500
Paid-in capital	71,961
Accumulated deficit	<u>(27,487)</u>
	<u>47,974</u>
	<u>\$ 51,132</u>

*See notes to financial statements.*

# KEYSTONE CAPITAL CORPORATION

## Statement of Operations

Year Ended June 30, 2008

Revenues	
Commissions	\$201,276
Reimbursed expenses	40,372
Interest	<u>2,269</u>
Total revenues	<u>243,917</u>
Expenses	
Commissions and clearing charges	101,084
Compensation and benefits	75,260
Insurance	13,513
Licenses and registrations	12,191
Occupancy	9,777
Travel and subsistence	5,036
Supplies	5,300
Outside services	4,495
Communications	3,970
Other	<u>2,732</u>
Total expenses	<u>233,358</u>
Income before taxes	10,558
Income taxes	<u>(800)</u>
Net income	<u>\$ 9,759</u>

*See notes to financial statements.*

# KEYSTONE CAPITAL CORPORATION

## Statement of Changes in Stockholders' Equity

Year Ended June 30, 2008

	<i>Common Stock</i>	<i>Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Total</i>
Balance, beginning of year	\$3,000	\$71,749	\$(37,246)	\$37,503
Issuance of common stock	500	212	-	712
Net income	<u>-</u>	<u>-</u>	<u>9,759</u>	<u>9,759</u>
Balance, end of year	<u>\$3,500</u>	<u>\$71,961</u>	<u>\$(27,487)</u>	<u>\$47,974</u>

## Statement of Liabilities Subordinated to Claims of General Creditors

Year Ended June 30, 2008

Balance, beginning of year	\$ -
Increases	-
Decreases	<u>-</u>
Balance, end of year	<u>\$ -</u>

*See notes to financial statements.*

# KEYSTONE CAPITAL CORPORATION

## Statement of Cash Flows

Year Ended June 30, 2008

Cash flows from operating activities	
Net income	\$ 9,759
Adjustments to reconcile net loss to net cash from operating activities	
Issuance of stock as compensation	712
Changes in operating assets and liabilities	
Commissions receivable	5,806
Accounts payable and accrued liabilities	<u>(8,077)</u>
Net cash from operating activities	8,200
Cash and cash equivalents	
Beginning of year	<u>33,738</u>
End of year	<u>\$ 41,938</u>

*See notes to financial statements.*

# KEYSTONE CAPITAL CORPORATION

## Notes to Financial Statements

### 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

*The Company.* Keystone Capital Corporation (the "Company") is a registered broker-dealer licensed by the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The Company provides broker-dealer services as an introducing broker-dealer clearing customer transactions through another broker-dealer on a fully disclosed basis.

*Accounting Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

*Revenue Recognition.* Security transactions and the related commission revenue and expense are recorded on a settlement date basis.

*Income Taxes.* The Company uses the liability method of accounting for income taxes whereby deferred tax asset and liability account balances are calculated at the balance sheet date using the current tax laws and rates in effect.

*Financial Instruments.* The carrying values reflected in the statement of financial condition at June 30, 2008 reasonably approximate the fair values for financial instruments. In making such assessment, the Company has utilized discounted cash flow analyses, estimates, and quoted market prices as appropriate. No allowance for potential credit losses was considered necessary at June 30, 2008.

### 2. SUBORDINATED LIABILITIES

During fiscal 2008, the Company had no liabilities that were subordinated to the claims of general creditors.

### 3. RELATED PARTY TRANSACTIONS

During fiscal 2008, the Company paid an affiliate approximately \$9,000 for the use of facilities and administrative assistance.

### 4. INCOME TAXES

As of June 30, 2008, the Company had a net operating loss carryforward ("NOL") of approximately \$26,000 which may be available to reduce future taxable income subject to any limitations arising from changes in Company ownership. The NOL expires through 2022. The Company has not recognized any deferred tax assets or liabilities because future utilization of the NOL is uncertain and timing differences are insignificant.

# KEYSTONE CAPITAL CORPORATION

## Notes to Financial Statements

### 5. NET CAPITAL REQUIREMENTS

Under Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital (as defined) and a ratio of aggregate indebtedness to net capital (as defined) not exceeding 15 to 1.

At June 30, 2008, the Company had a ratio of 0.07 to 1. The basic concept of the Rule is liquidity, its object being to require a broker-dealer in securities to have at all times sufficient liquid assets to cover its current indebtedness. At June 30, 2008, the Company had net capital of \$47,974 which was \$42,974 in excess of the amount required by the SEC.

### 6. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO THE POSSESSION AND CONTROL REQUIREMENTS UNDER RULE 15c3-3

The Company relies on Section K (2) (ii) of the Securities Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

\*\*\*\*\*

# KEYSTONE CAPITAL CORPORATION

## Computation of Net Capital Pursuant to Rule 15c3-1

June 30, 2008

Total Stockholders' equity	\$47,974
Less non-allowable assets	<u>          -</u>
Net capital	<u>\$47,974</u>
Total aggregate indebtedness	<u>\$ 3,158</u>
Ratio of aggregate indebtedness to net capital	<u>0.07</u>
Minimum net capital required	<u>\$5,000</u>

*Note: There are no differences between the net capital reported above and the net capital reported on form FOCUS X-17A-5 Part IIA as of June 30, 2008.*

**INDEPENDENT AUDITOR'S SUPPLEMENTARY  
REPORT ON INTERNAL CONTROL STRUCTURE**

Keystone Capital Corporation:

In planning and performing our audit of the financial statements and supplementary schedules of Keystone Capital Corporation (the "Company") for the year ended June 30, 2008, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 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 in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. 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 or the practices and procedures referred to above, errors 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the control environment and accounting system and their operation that we consider to be a material weakness as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 were adequate at June 30, 2008, to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

*Boros & Farrington APC*

BOROS & FARRINGTON APC  
San Diego, California  
August 21, 2008

END