

Firm Brochure Part 2 of Form ADV

Item 1

Keystone Capital Corporation

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This brochure provides information about the qualifications and business practices of Keystone Capital Corporation ("KCC"). If you have any questions about the contents of this brochure, please contact the Compliance Department at 858-800-4928. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Adviser is available on the SEC's website at www.adviserinfo.sec.gov

Keystone Capital Corporation is a Registered Investment Advisor with the SEC. Registration with the SEC or any state securities authority does not imply a certain level of skill or training. Additional information about Keystone Capital Corporation is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

ANNUAL UPDATE

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

MATERIAL CHANGES SINCE THE LAST UPDATE

This Brochure contains material changes for current or prospective clients of Keystone Capital Corporation. Below is a list of items and with a summary of changes:

- Item 4: Advisory Business – Keystone has a new primary owner, Key Acquisition, LLC
- Item 4: Advisory Business – Keystone no longer offers the Direct Program 'DP'

FULL BROCHURE AVAILABLE

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 858-348-4405 or request by sending an email to info@kccbd.com.

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ITEM 4: ADVISORY BUSINESS

Keystone Capital Corporation (“Keystone” or “Adviser”) is a multi-state SEC registered advisor that is required to register in 15 or more states and is relying on rule 203A-2(d). Being registered does not indicate Keystone is endorsed by any regulatory authority or imply any level of skill or training. The Adviser is headquartered in San Diego, California. Keystone’s services involve assisting individuals and institutions in selecting third-party investment managers, providing financial plans to clients and investment advisory services.

ASSETS UNDER MANAGEMENT

Total assets under management (“AUM”) as of the date of this filing:

Non-Discretionary	\$18,413,344
Discretionary	\$33,710,567
Total	\$52,123,911

PRINCIPAL OWNERS

Keystone Capital Corporation is owned by Key Acquisition, LLC.

TYPES OF SERVICES

Keystone offers investment advisory and financial planning services through individuals associated with Keystone as Investment Advisory Representatives (“IARs”) through a written agreement. Services are focused on specific areas and based upon each client’s individual financial situation and personal or business objectives, sophistication and time horizon. The degree of detail and complexity of the financial planning services provided varies according to the individual client’s situation. Each client is provided with a written summary of the work undertaken.

Most Keystone IARs are also registered as independent contractor registered representatives with Keystone, member FINRA/SIPC, or an appropriately registered affiliate.

Keystone is not a custodian and does not take custody of client funds under any circumstances. Accounts are held with an unaffiliated Qualified Custodian, such as TD Ameritrade Institutional (“TD”), Pershing, LLC (“Pershing”) or other approved custodians. Keystone limits the use of other custodians, reviewing each on a case-by-case basis and may be approved by Compliance for certain representatives. Clients receive statements directly from the Qualified Custodian at least quarterly.

Keystone offers various types of advisory services.

- Auour Advisory**

The Auour Advisory Program provides a tailored approach for high net worth individuals, foundations, endowments, non-profits and businesses in need of wealth management services.

Auour accounts are managed on a discretionary or non-discretionary basis as indicated on the Auour Investment Advisory Agreement.

In opening an Auour account, clients complete an Auour Investment Advisory Agreement between the Client, the IAR and Keystone along with an application for the selected Qualified Custodian. The IAR collects the necessary information including, but not limited to, investment goals, income requirements, time horizon and risk tolerance. The IAR assists the client in setting appropriate investment objectives and goals. The IAR will meet with the client periodically to determine whether the investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity and risk tolerance. Based on the information obtained the IAR will construct and manage a portfolio for the client.

2. **Keystone Asset Management (“KAM”)**

Keystone Asset Management offers clients access to mutual funds, ETFs, equities and other Eligible Assets primarily on a non-discretionary basis. On occasion, discretionary authority may be provided in writing by the client on the account opening documents. KAM accounts are held at a fully disclosed Qualified Custodian or approved Third Party Manager.

In opening a KAM account, Clients complete an Investment Policy Guideline (“IPG”), Keystone New Account Form, a KAM Investment Advisory Agreement and Qualified Custodian or Third Party Manager account application. The Keystone IAR completes a client investment suitability review and creates an asset allocation plan with the client. Once proper allocation is determined, IARs can present the client with a wide range of investment vehicles designed to achieve their risk and allocation parameters.

Trades entered per the plan are typically non-discretionary with the client acknowledging and accepting responsibility for trading privileges and investment selections used in the Program. On occasion, discretionary authority may be granted by the client in writing. Client and IAR may also determine that, in the case of an account transfer, existing products and allocations are appropriate at the time of account opening. IAR will offer at minimum annual account reviews and make recommendations to client regarding ongoing allocation and rebalancing.

3. **Advisory Referral Program**

Keystone associates may act as solicitors on behalf of third party investment managers. These managers may be managers and/or general partners of partnerships investing in a variety of securities and non-securities. Keystone reviews the investment strategies, performance record, and regulatory history, among other criteria, before recommending, selecting and entering into an agreement with a third-party manager. All third-party managers to whom Keystone refers clients are registered as investment advisers by their resident state, with other states as required by regulation, and/or with the Securities and Exchange Commission (SEC).

Keystone associates assist clients in selecting a particular third-party manager or managers based on the client’s financial situation and investment objectives. The advisory associate may attempt to contact the client invested in third-party management programs at least quarterly, and may make written inquiry regarding changes in the client’s financial situation and needs or investment

objectives on a periodic basis. In addition, the advisory associate will offer to meet with the client at least annually to review any changes in the client's financial situation, needs or investment objectives, as well as the performance of the programs managed by the third-party investment adviser. Clients may contact a Keystone associates for consultation during normal business hours.

Keystone receives compensation according to its agreements with these third-party managers for introducing clients and for certain ongoing services such as monitoring investment performance and client consultations. Keystone's compensation, which is disclosed to the client in a separate disclosure document, may be in the form of fixed or recurring fees for marketing and other services, a percentage of assets managed by the third party, or both.

Clients accessing services through a solicitor arrangement may pay more or less than what is available when contracting directly with the third party or internal manager. Similar services may be available at a lower cost and clients are encouraged to consider all fees and expenses related to any solicitor arrangement.

4. Sub-Advisory Arrangements

The Adviser in certain circumstances will enter into sub-advisory agreements with various advisers ("primary advisers") in order to offer investment management services to prospected clients. Primary advisers will be licensed as investment advisers by their resident state and other applicable jurisdictions or with the Securities and Exchange Commission.

In these situations Keystone will gather information about the client's financial situation and investment objectives, among other things, the primary adviser will then provide the client with asset allocation guidelines. Keystone will have the power and authority to supervise and direct on a non-discretionary basis any investment for those accounts designated by the primary adviser, including the purchase and sale of any securities and any other transaction unless specifically directed otherwise in writing by the primary adviser.

The Adviser will receive compensation pursuant to its agreements with the primary advisers. The compensation is generally a portion of the percentage of the assets under management but may vary depending on the range of services the Adviser provides such as specialized reporting and/or more frequent reporting. Fees are payable in accordance with the provisions of the primary advisers' Form ADV Part 2A or equivalent disclosure document.

5. Financial Planning

General financial planning involves data gathering and goal setting; reviewing current and anticipated assets and liabilities such as insurance, savings, investments, and anticipated retirement or other employee benefits; creating a cash flow analysis; and finally developing a plan based on a computer model that incorporates Keystone's recommendations for a course of activity or specific actions that the client should take. For example, an advisory associate may recommend that the client obtain insurance or revise existing insurance coverage, establish an individual retirement account, increase or decrease estate plans, and/or refer the client to an accountant or attorney. Financial plan recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

Keystone may recommend the services of itself and/or other professionals to implement its recommendations. Clients should be aware that a conflict of interest exists if Keystone recommends its own services. The Adviser or its advisory associates may receive compensation for financial planning, providing investment management services, and/or the sale of insurance and other products and services. Keystone does not represent that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, clients are under no obligation to act upon any of the recommendations made by Keystone under a financial planning engagement and/or engage the services of Keystone or any other recommended professional.

ITEM 5: FEES AND COMPENSATION

All advisory fees are subject to negotiation. Keystone retains a portion of the advisory fee and pays a portion to the IAR managing the account.

In general, the fee charged by Keystone is established in the client's written agreement with Keystone. Keystone may bill its fees on a monthly or quarterly basis depending on the program and client's preference. Clients may elect to pay fees in advance or arrears as specified in the advisory agreement.

The Qualified Custodian, Primary Advisor or Third Party Manager generally deducts advisory fees from the client account. The Qualified Custodian will send statements directly to the client reflecting the deduction of these fees.

For some programs, fees may be paid to us by check, as outlined in the advisory agreement. In this case, we will send an invoice to you for fees owed. The invoice will include, in addition to other information, the total Fee owed and the method the Fee was calculated.

Keystone receives fees for its advisory services based on assets under management, hourly rates or fixed fees. In the event Keystone utilizes a third party manager, compensation may be received in the form a percentage of assets under management ("AUM"). Keystone may receive a portion of the fee charged by the Primary Advisor or Third Party Manager as disclosed in the account opening documents.

Some assets in your managed account may not be included in the calculation of your advisory fee. For example, assets that you recently paid a commission on may be exempt from this advisory fee. It is the responsibility of the IAR and the Client to identify Eligible and Non-Eligible assets. Keystone relies on the IAR and the client to conduct a detailed review of the Eligibility of account holdings and may not independently verify the information provided by the IAR and Client regarding inclusion or exclusion of assets when calculating the advisory fee.

In addition to the investment advisory fees and transaction charges, accounts may also incur certain charges imposed by third parties in connection with investments made through the program. These may include, but are not limited to, the following: mutual fund or money market 12b-1 fees, mutual fund, money market or ETF management fees and administrative expenses, mutual fund transaction fees, other transaction charges and service fees, IRA and qualified plan fees, processing and handling fees or other

charges on a fully disclosed basis. Further information regarding charges and fees assessed by a mutual fund are available in the appropriate prospectus.

Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Keystone's fee. Keystone shall not receive any portion of these commissions, fees, and costs. Clients may generally avoid additional fees by purchasing funds directly from a fund family and not receiving investment advisory services and/or advice.

A customized program account may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

The costs associated with a program may be more than costs associated with a traditional brokerage account arrangement where the client pays a commission for each transaction but does not receive ongoing investment advice. In general, the client is paying for ongoing investment advice from the IAR. The IAR recommending a program account to the client receives a portion of the Account Fee as a result of the client's participation in the program. This compensation may be more than what the IAR would receive if the client participated in another program. As a result, the IAR may have a financial incentive to recommend one program or services over other programs or services.

IARs may also be registered representatives of Keystone's broker-dealer. In such capacity, he or she may sell securities and receive normal and customary commission as a result of purchases and sales as well as 12b-1 fees from mutual funds held in client accounts.

To the extent that the IAR recommends that a client invest in a security, which results in a commission being paid to the IAR in their capacity as a registered representative, this presents a potential conflict of interest. Keystone conducts ongoing reviews of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on advisory assets.

FEE SCHEDULE

All advisory fees are negotiable.

Auour Advisory

Adviser will receive a fee (the "Fee") for investment supervision and management of the Account(s) based on the current market value assets in the Account(s) (including cash and equivalent items) according to the following schedule:

On amounts up to	\$1,000,000	1.00% annually
On amounts over	\$1,000,000	0.75% annually

Fully disclosed Fees will be payable in arrears in monthly or quarterly installments with each installment based on the market value of the Account(s) as of the end of the billing period. Payment will be due to Adviser within 30 days after receipt of billing by Client. Interest of 1.0% per month will be charged on unpaid invoices after 30 days. All Fees are negotiable and agreed upon by the IAR and Client in the Advisory Agreement.

If this Agreement starts at a date other than the beginning of a calendar month or quarter, the Fee for that partial quarter shall be prorated accordingly. In the event of any termination of this Agreement, the Adviser's Fees will be calculated on a pro rata basis through the date of termination.

The Adviser shall compute the market value of assets in the Account(s) in accordance with the Valuation of Securities section of its Policies and Procedures manual and as disclosed in the Form ADV Part 2A.

Adviser compensation will not be based on performance.

The Client will be responsible for all other expenses, such as broker commissions, fund loads, fund management fees, and custody fees.

Keystone Asset Management

Client will compensate Keystone for the services provided under this Agreement by paying an annual asset-based fee ("the Program Fee"), which is payable quarterly in arrears, according to the schedule below:

ELIGIBLE ASSETS	ANNUAL FEE RATES	
	Min	Max
Equities, Mutual Funds, ETF's, Options, Fixed Income, Cash, Money Market, CD's	.25%	2.25%

The Program Fee charged to each Account is based on the market value of Eligible Assets held in the Program. The Program Fee for each billing period will be calculated as follows:

The minimum annual Program Fee under this Agreement will be \$250. Accordingly, Client may pay an effective rate that is greater than the rate specified in the annual Program Fee schedule above. Client acknowledges that the minimum Program Fee will be assessed regardless of the level of services provided herein.

For the purpose of computing the Program Fee, the value of Eligible Assets shall be determined in good faith by Keystone to reflect their estimated fair market value. Any such valuation will not be considered a guarantee of any kind with respect to the value of assets in the Account. Short market positions in Eligible Assets will be valued by determining the equivalent long market position (for instance, the number of shares sold short and the price per share). The Program Fee will be based on the value of Eligible Assets, including any Eligible Assets purchased on margin. Interest on any margin debt incurred by Client is in addition to the Program Fee.

The Program Fee will be paid every calendar quarter in arrears, based on the value of Eligible Assets in the Account on the last business day of the calendar quarter, and it will be due within the first 5 business days of the calendar quarter. For accounts billed monthly, the value of Eligible Assets in the account as of the last day of the calendar month. The initial Program Fee will be prorated as appropriate based on inception date.

Advisory Referral Program

Keystone associates may from time to time receive compensation for introducing clients to third-party managers. The fees paid by clients to third-party managers are established and payable according to the terms described in Form ADV Part 2A, or in an equivalent disclosure brochure of each third-party manager to whom Keystone refers its clients, or as detailed in the Advisory Agreement. The third-party manager determines fee schedules, termination provisions and the refund of fees for agreements terminated prior to the expiration date of the agreement. These policies are disclosed to clients via disclosure materials prepared by the third-party investment manager, and the scope and format will vary from manager to manager. Keystone encourages its clients to seek any and all additional information to ensure that the client fully understands and accepts the investment or investment strategy as consistent with its investment objectives.

The disclosure document will describe the services provided and the nature of fees payable to both the third-party manager and Keystone. The portion of the fee received by the third-party manager may or may not be negotiable. Generally, the portion of the client fee paid by the third-party manager to Keystone is not negotiable and is paid according to the terms described in the advisory agreement. Clients should inquire about fees, commissions and any and all other charges if any aspect of the compensation to Keystone and to the third party is unclear.

Because the compensation to Keystone and its associates may differ depending upon the individual agreement with each third-party manager, Keystone and/or associates have an incentive to recommend one of these third-party investment managers over other third-party managers with which it has less favorable compensation arrangements thus an inherent conflict of interest exists. The client is under no obligation to accept any of the recommendations of the Adviser. At all times, Keystone associates make every effort to recommend the third party manager that best fits the client's financial needs and objectives. Keystone endeavors to provide any and all required information regarding fees, but also encourages clients to request any additional information that is necessary to ensure that all fees are fully disclosed.

Financial Planning

Keystone charges hourly rates or fixed fees for its financial planning services.

Hourly fee

Hourly rates for financial planning or other services are negotiable. Hourly fees for financial planning services typically range from \$125 to \$250 an hour depending on the complexity of the situation that will dictate the seniority of the adviser assigned to perform the service. The unique hourly fee to be charged will be specified in the written client agreement, Hourly fees for financial planning services cannot be paid as a retainer fee for future services to be rendered. The fee will be determined and billed only after the client signs the contract. Fees are negotiable at the discretion of Keystone and the Keystone Representative.

All fixed fees are negotiable. Fixed fees typically range from a minimum fee of \$500 to \$5,000.

In instances where the client prefers a fixed fee at the discretion of the Representative, financial planning may be performed for a fixed rate. The amount of a fixed fee agreed upon between the client and the Representative is specified in the planning contract. A down payment of up to 50% of the total fee or \$500, whichever is lower, is billed to the client upon execution of the contract and the remainder is due upon delivery of the financial plan. Under no circumstances are fees paid more than six months in advance of receipt of service in excess of \$1200. The amount of a fixed fee reflects the client's individual financial situation and personal or business objectives and reflects the overall time spent gathering data, developing and servicing the plan.

All fees are negotiable based on several factors that may include, but are not limited to: the time involved in producing the plan, the complexity of the plan, and the range of services provided. The client and Keystone will agree upon the fee at the start of the advisory relationship and will memorialize this agreement in the written financial planning agreement.

Sales commissions, including trailing fees that result from implementation of the plan, may be earned by the Representative in addition to any pre-arranged fee. Keystone may choose to waive some of the fee or the entire fee upon implementation of the plan if the advisory associate is compensated through commission payments creating an inherent conflict of interest. However, the client is under no obligation to do so. Keystone will notify advisory clients in advance of all sources of compensation in any capacity; at no time are clients are not obligated to implement the plan through a Keystone associate.

BILLING METHODS AND REFUNDS

Advisory Referral Program

The third-party investment managers will deduct fees from client assets or bill clients directly according to the terms established in client agreements and disclosed in applicable documents.

When applicable based on the policies of the third-party manager, the terms and conditions for rebating fees to clients will be described in the advisory contract between the third party manager and client and/or in the third party's Form ADV Part 2A or other disclosure brochure. Because these arrangements may be complex, Keystone endeavors to make full disclosure, and also encourages its clients to ask questions if they are unclear in any way.

Financial Planning Fees

All fees are negotiable and payable in stages, with up to 50% but not more than \$500 of the agreed or estimated fee payable in advance, and the remaining fee payable upon delivery of a completed plan. In no event will a financial plan be delivered more than 6 months from the date of engagement of Keystone, and/or the payment of the initial fee. Fees for financial plans are negotiable, at the discretion of the advisory associate. If terminated prior to completion, all unearned fees will be reimbursed to the client.

Advisory associates may on occasion, provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning. The fee for such financial advice is inclusive of the \$125 - \$250 per hour rate, or as part of the pre-paid financial plan as described above, and is considered an integral component of the financial planning process. The hourly fee to be charged is

unique to each client and specified in the written client agreement but cannot be paid as a retainer fee for future services to be rendered. The fee will be determined and billed only after the client signs the contract. Fees are negotiable at the discretion of Keystone and the Keystone Representative. Keystone does not provide tax or legal advice. For such guidance, please consult your tax and/or legal professional.

WRITTEN AGREEMENT

Advisory Referral Program

All clients are required to sign an advisory agreement with Keystone and will also sign an advisory agreement directly with the third-party adviser of the program selected should a third party manager be utilized. The client, Keystone or the third-party adviser may terminate the advisory relationship in accordance with the provisions of those agreements. The client will typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement. Additionally, a client may terminate its advisory relationship with Keystone without being assessed any penalty within five (5) business days of its signing an advisory agreement. Keystone encourages clients to carefully review the terms set forth in the agreement prior to signing the agreement.

Keystone will also prepare and present for client signature a separate written disclosure document that describes the fees clients pay for services, the percentage of the fee paid to each adviser, how the fee is calculated, whether the fee paid to Keystone represents an additional fee the client would not have paid for direct services with the third party adviser, and when the fees are payable.

Financial Planning

A financial planning client must enter into a written agreement (“Financial Planning Agreement”) with Keystone prior to engaging the Adviser to provide financial planning services. The written agreement sets forth the terms and conditions under which Keystone will deliver its services including a description of the estimated fees to be paid by the client. The Financial Planning Agreement terminates automatically upon delivery of the written financial plan. Should either party terminate services prior to plan completion and fees have been paid for services not yet provided, all unearned fees will be reimbursed to the client.

OTHER TYPES OF CLIENT FEES AND EXPENSES

In addition to the annual management fee, advisory referral clients may also have to pay other costs that entities other than the third party manager charge for their services. These costs include, but are not limited to: custodial fees; brokerage commissions; transaction fees; charges imposed directly by a mutual fund, index fund, or exchange traded fund (“ETF”)**; wire transfer fees; and other fees and taxes on brokerage accounts and securities transactions. Keystone does not share in any portion of the brokerage fees/transaction charges imposed by the unaffiliated entity.

Clients should review all fees charged by custodians, funds, the third party manager, and others to fully understand the total amount of fees that he or she must pay.

** The fees and expenses charged by a mutual fund, index fund or ETF such as fund management fees and fund expenses are described in the fund’s prospectus, summary prospectus and/or Product

Description. Keystone encourages investors to review these materials thoroughly, and to contact Keystone if questions arise or if requesting additional information.

COMPENSATION FOR SALE OF SECURITIES OR OTHER PRODUCTS

Keystone advisory associates may also be registered representatives with Keystone Capital Corporation (BD), a FINRA member broker-dealer and Insurance Agency. Keystone receives transaction-based compensation in these separate capacities. In many circumstances, the advisory associate will receive transaction-based compensation in his separate capacity as a registered representative and/or insurance agent. The percentage of commissions and fees earned by any advisory associate varies by client and may be based on the level of service, client's investment amount, and/or the volume of activity, among other factors. Advisory associates may also be insurance licensed independently of Keystone and may receive commissions in their separate capacities as insurance agents. (Please refer to Item 10: Other Financial Industry Activities and Affiliations.)

CONFLICT OF INTEREST BETWEEN DIFFERENT FEE STRUCTURES

The Adviser may offer advisory services or third-party money managers that charge different fees for similar services and that compensate Keystone differently depending on the third-party Adviser and service selected. There is an inherent conflict of interest for Keystone and its associated personnel to recommend the services that offer a higher level of compensation to the Firm. The Adviser mitigates this conflict through its procedures to review client accounts relative to the client or investors personal financial situation to ensure the investment management service provided is appropriate. Further, the Adviser is committed to its obligation to ensure associated persons adhere to the Firm's Code of Ethics and to ensure that the Firm and its associated persons fulfill their fiduciary duty to potential clients or investors

To the extent that Keystone IARs can make more money by one program or third party manager over another, this creates a conflict of interest.

Keystone IARs may also be registered representatives of Keystone's broker dealer or an Affiliate. Any commissions, fees or other costs associated with brokerage activities are exclusive of Keystone investment advisory services and in addition to any investment advisory fee. The ability to earn commissions in addition to fees creates a conflict of interest.

ITEM 6: PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT

Keystone does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Certain third-party managers to whom Keystone associates refer clients may charge performance-based fees (a share of the capital gains or capital appreciation of managed securities). A performance fee gives a portion of the returns of a fund or investment to the manager as a reward for positive performance. The fee is generally a percentage of the profits made on the investments.

If a third-party manager charges a performance fee, the terms and conditions for the performance fee will be disclosed in the offering memorandum, the manager's Form ADV Part 2A Item 6 and/or in the advisory contract between the third-party manager and the client. Only clients that meet the SEC's definition of "qualified clients" may enter into agreements providing for performance-based compensation to a third-party manager. "Qualified clients" are considered (1) clients with at least \$750,000 under management with the adviser or more than \$1,500,000 of net worth; (2) clients who are "qualified purchasers" under section 2(a)(51)(A) of the Investment Company Act; and (3) certain knowledgeable employees of the investment adviser. If applicable, the client pays only one performance fee to the third-party manager who in turn may compensate Keystone a portion of the fee according to contractual provisions.

Advisory associates have an incentive to favor third-party managers that charge performance fees as Keystone's compensation may be larger than it otherwise would have been due to account performance. Clients should also note that lower performance fees for comparable services might be available from other sources.

Keystone encourages clients to carefully review the third-party manager's disclosure documents that describe whether or not the manager charges a performance-based fee, the amount of the fee, the conditions that must be met for the manager to earn the performance fee, and the conflicts of interest the manager faces, among other disclosures.

ITEM 7: TYPES OF CLIENTS

Keystone Capital Corporation provides investment advisory services, third party investment management and financial planning services to individuals, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities.

REQUIREMENTS FOR OPENING OR MAINTAINING AN ACCOUNT

Keystone does not but Advisory Referral Program managers or IARs may assess a minimum account size at their sole discretion. If this is the case, Keystone will adhere to the minimums set by the managers. In most cases, third party managers assess an account minimum of \$250,000. A complete description of the third-party investment manager's services, fee schedules and account minimums will be disclosed in the third-party manager's Form ADV Part 2A or similar disclosure brochure, which will be provided to clients prior to the time the client enters into a services agreement and establishes an account.

There is no financial planning account minimum.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Keystone evaluates third-party managers using the following:

- An initial review of the third-party manager's ADV Part 2A and relevant Appendixes to determine, among other things

- the third party's description of its services,
 - the investment strategies employed by the third party, and
 - the methods it uses for calculating and reporting its historical performance.
- Analysis of performance data supplied by the third-party manager.
- Verification of the third-party manager's registration with the SEC and/or states.
- Firm and principal background information.
- Records regarding the third party's disciplinary history, including regulatory, civil or customer complaints or other actions.
- If applicable, audited or unaudited financial reports as available (not all third parties are required to produce audited financials; clients are encouraged to inquire about the type of financial information produced by the manager they have selected).

Although Keystone strives to carry out its due diligence in a professional manner, it may not independently verify the accuracy or adequacy of the data it collects or the reported performance during the review process.

The main sources of information Keystone uses to analyze securities investments are offering and subscription documents; performance track records; financial statements; annual reports, prospectuses, registrations, and filings with the SEC; third party research materials; background information on management; and company marketing materials and press releases.

In the process of financial planning, Keystone representatives assist clients through gathering data about their individual financial objectives and use that information to address client specific economic, tax, allocation and planning topics.

Investing in securities involve varying degrees of risk of loss that clients should be prepared to bear.

INVESTMENT STRATEGIES

Third-party investment managers may employ a number of techniques and a variety of analyses, both proprietary and non-proprietary, to guide them in their investment selection process. Certain strategies involve a higher degree of risk than others. Keystone takes into consideration the strategy employed by a third-party investment manager when recommending the manager to a client. Notwithstanding this, Keystone encourages clients to carefully review the third-party manager's Form ADV Part 2A or other disclosure documents that describe the strategy or strategies the manager uses.

RISKS

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

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

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Investing in limited partnerships involves certain additional risks such as reliance on management; limited transferability of Interests; possible mismanagement and institutional risks; and lack of liquidity, among other risks.

Keystone primarily uses a comprehensive due diligence process on third-party managers as a means to control risk. Third-party investment managers use a variety of methods to reduce investment risk such as diversification and asset allocation.

Keystone cautions all clients and potential clients that investing in securities involves risk of loss; although Keystone and the third party managers do their best to minimize risk, clients should be prepared to bear losses when they occur.

ITEM 9: DISCIPLINARY DISCLOSURES

Keystone is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Keystone or the integrity of Keystone's management. Keystone has no information applicable to this item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Keystone Capital Corporation is dually registered as a broker-dealer (BD), member FINRA and SIPC, Insurance Agency and as an SEC registered investment adviser. Keystone (BD) is a fully disclosed, full service broker-dealer that buys and sells securities including stocks, bonds, and mutual funds. Keystone (BD) has a clearing relationship with TD Ameritrade and a clearing agreement with Pershing, LLC through a Piggyback agreement with Sorrento Pacific Financial ("SPF"), member FINRA/SIPC and an SEC registered investment advisor. Advisory associates of Keystone may also be registered representatives of the broker-dealer and Insurance Agency licensed to sell commission-based insurance products through various insurance companies. Advisory associates spend approximately 75% of their time engaging in brokerage activity through Keystone and approximately 5% of their time conducting insurance related activities. In these capacities associated persons of the Adviser may recommend securities, insurance, advisory, or other products, and receive normal securities transactions commissions if products are purchased through any firms with which any associated persons are affiliated. Thus, an inherent conflict of interest exists between the interests of associated persons and those of the advisory clients. This conflict is lessened because the advisory associates operate insurance, broker-dealer and investment advisory business from the same office and are therefore readily available to Keystone advisory clients. However, clients are under no obligation to act upon any recommendations of the associated persons or effect any transactions through the associated persons if they decide to follow the recommendations.

If a client chooses to implement recommendations made by an advisory associate by purchasing securities through Keystone (BD), then the BD and the advisory associate may receive compensation in the form of commissions, including 12b-1 fees for the sale of investment company products. Keystone clients are not obligated in any manner to implement the Adviser's recommendations through an advisory associate in his or her separate capacity as a registered representative or insurance agent and may purchase or sell securities through any broker-dealer or insurance agent of their choosing.

The broker-dealer and insurance affiliations give the advisory associates multiple sources of potential compensation. This represents a conflict of interest because Keystone advisory associates have an incentive to recommend that advisory clients purchase insurance products and brokerage products offered by the associate in his or her separate capacity as a registered representative or insurance agent.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Keystone places significant value on ethical conduct for all advisory business. As such, Keystone has adopted a Code of Ethics ("Code") for the purpose of establishing and implementing ethical obligations and to provide rules for review of the personal securities transactions of its supervised persons. Keystone owes a duty of loyalty, fairness and good faith towards its clients, and it is obligated to adhere not only to the specific provisions of the Code but also to the general principles that guide the Code.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Code also includes Keystone's policy that prohibits the use of material non-public information. Any principal or associate that does not observe the provisions of the Code may be subject to discipline.

An Adviser, as a fiduciary to its clients, is responsible for providing professional, continuous, and unbiased investment advice. Fiduciaries owe their clients a duty of honesty, good faith, and fair dealing.

In order to ensure that our IARs and employees strictly adhere to the highest of conduct and integrity in conducting business on behalf of our clients, we require that each year, every Keystone associate must certify that he or she: (1) has read and understands the Code, (2) recognizes that the Code applies to him or her, and (3) has complied with all of the rules and requirements of the Code.

Keystone will provide a copy of its Code of Ethics at no charge to any client or prospective client upon request.

PARTICIPATION OR OTHER INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

On occasion, IARs may recommend a security in which they own shares or have some other financial interest. When the IAR recommends a security, Keystone's procedures require the IAR to determine that the investment is suitable to the client's needs and risk profile. In the event that an IAR wishes to buy or sell for himself/herself a security that has also been recommended to a client, the client's order(s) are given priority.

No agency cross transactions or principal trades will be affected in an advisory account.

ITEM 12: BROKERAGE PRACTICES

Keystone does not have the discretionary authority to determine which broker-dealer the client selects or the commission rates to be paid.

Certain third-party managers, however, may offer their services only through certain brokerage arrangements. Disclosure of this practice will be made through each firm's Form ADV Part 2A prior to providing advisory services. Keystone encourages clients to review these disclosures before entering into an advisory contract with a third-party manager.

Keystone may recommend broker-dealers to its clients to assist the client in selecting a firm that offers an adequate range of services at a competitive price when implementing a financial plan. Keystone recommends only those broker-dealers that can also serve as qualified custodians of client assets. The Adviser considers several factors prior to recommending a broker-dealer including the broker's execution and operational capabilities, expertise, business reputation, and the costs of services, among other factors. The Adviser will also take into account any previous experience with the broker.

Because advisory associates are also registered representative of Keystone Capital Corporation (BD), they may recommend Keystone (BD) to the client because of the commission benefits and factors noted above and the convenience to Keystone (IA). This presents a conflict of interest because fees and costs to the client may be lower at an alternative broker-dealer, regardless of the convenience to Keystone (IA). Clients with questions about the comparative services, costs and fees associated with the choice of broker-dealer should ask a Keystone associate who will describe comparative services and/or present a comparative analysis.

Clients are not obligated to open an account or trade through any recommended broker-dealer. Instead, clients may choose any broker-dealer.

DIRECTED BROKERAGE

Depending on the advisory program selected by the client, the broker/dealer for execution of trades varies. There are three possible scenarios. First, Keystone may require a specific broker-dealer as with Keystone Asset Management. Second, accounts may be held directly with a Mutual Fund or Variable Annuity with all brokerage activity exclusive and independent of Keystone advisory services. Third, clients may have the option to elect a broker dealer.

Keystone is also a broker dealer, and in such capacity clears its securities transactions with Pershing, LLC through SPF. The client should understand that this presents a conflict of interest because of the clearing relationship between Keystone and SPF/Pershing. By directing brokerage to SPF/Pershing, Keystone may not be able to achieve most favorable execution of client transactions, and this practice may cost the client more money.

Keystone makes every reasonable attempt to obtain the best execution possible, but it may not be possible given various circumstances. Best execution is the full range and quality of a broker's services in placing brokerage, encompassing not only the overall cost off a client's trade, but also qualitative factors such as the broker's area of expertise, the price at which the trade was executed relative to other trades in the security, and the broker's integrity and responsiveness. Keystone conducts regular reviews of execution in an effort to lower trading costs and for more efficient and accurate clearing services.

SOFT DOLLARS OR ECONOMIC BENEFITS

Keystone does not receive soft dollars or economic benefits from broker-dealers. However, Keystone may receive services from broker-dealers that enhance its ability to service its clients. For instance, recommended broker-dealers may provide Keystone with automated or electronic access to client account information, duplicate statements, or consolidated reports.

BROKERAGE FOR CLIENT REFERRALS

Keystone does not receive client referrals from a broker-dealer or third party when recommending brokers for client accounts.

TRADE AGGREGATION

The Advisor may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of Advisor's investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Advisor may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

ITEM 13: REVIEW OF ACCOUNTS AND REPORTS

For asset management accounts, each IAR is responsible for reviewing copies of periodic account statements and quarterly performance reports for his/her clients. The accounts are reviewed to ensure that the allocations and selected investments continue to fit the risk profile and investment objective of each client. Changes to asset allocations or investments are made when deemed appropriate by the IAR or the third party investment advisor responsible for managing the account as described in the relevant program description in Items 4 and 8 above.

At the onset of the advisory referral program services, Keystone establishes a relationship with the account custodian and/or investment manager so that it receives and can review the same reports that the third parties provide to clients. This enables the advisory associate to monitor a client's account and consult with the client, or answer the client's questions, as needed. Keystone has not placed any limitations on the number of accounts each advisory associate may or must review. Because Keystone does not prepare the reports, it cannot always verify the accuracy and completeness of the data provided. Further, Keystone cannot influence the scope, format, nature or timing of third party reports. Nonetheless, Keystone associates are available to answer questions regarding these reports. Keystone strongly encourages clients to review all third party and custodial reports for consistency, completeness and accuracy.

A third-party investment manager will have its own separate procedures in place to review client accounts. The third-party manager will disclose its review method in the firm's Form ADV Part 2A including a description of the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

Clients will receive, at minimum, quarterly account statements describing positions and activity. Keystone does not provide the statements. The Qualified Custodian of the account provides all statements. Keystone urges you to carefully review such statements and compare such official custodial

records to the account statements that we may provide to you. The third party manager provides performance reports. For any month there is additional activity in the account, the client will receive monthly statements detailing that month's activities

Financial Planning services terminate upon delivery of the financial plan. Based on a client's financial circumstances and financial goals, Keystone will provide a one-time written report to the client that includes the advisory associate's recommendations. The written report will generally be delivered within 6 months of the initial engagement. The report will include information such as, but not limited to, comments on portfolio review and analysis, asset allocation strategy, risk and diversification analysis, among other relevant topics.

The designated supervisor generally reviews initial financial plans.

After the first anniversary of the plan, Keystone will review financial plans for updates only upon the request of the client. Reviews of financial plans may trigger additional fees. In this instance, a Keystone Representative will attain a new financial planning agreement so that the client is apprised of all relevant fees and other terms, then will gather current financial information and provide a written analysis, which will be reviewed based on the same process as an initial plan.

Financial planning clients receive a completed financial plan.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION (SOLICITOR ARRANGEMENTS)

As mentioned herein the Adviser has entered into several agreements where it solicits clients and refers them to third party investment advisers. The Adviser will only refer clients to investment advisers that are registered with the Securities and Exchange Commission (SEC) or with the applicable state(s). The Adviser is required to present a disclosure to all prospects and clients that details the compensation to the Adviser and other general terms of the relationship between the third party and the Adviser. The Adviser has clients and prospects sign this disclosure and return it to the third party adviser. The agreement between the Adviser and the third party adviser(s) may be terminated by either party's written notice

Keystone does not use third parties to solicit on its behalf and does not compensate any third parties for referrals.

ITEM 15 CUSTODY

Keystone does not accept custody of client funds or securities. This means that client assets will be held at a qualified custodian according to a separate written agreement between the client and the custodian. The client should expect regular reports at least quarterly from the custodian, and may contact Keystone with questions or concerns. The custodian's statement will include a telephone number that the client may use to contact the custodian directly.

The client may opt to have copies of his/her/their statements sent to Keystone so that an advisory associate can monitor the account's performance. In no circumstance however, will Keystone or an advisory associate be authorized to place discretionary trades or to issue any instructions for the

distribution of funds or securities from the client's account without a written agreement signed by the client and approved by Compliance.

ITEM 16 INVESTMENT DISCRETION

From time to time the Adviser accepts discretionary authority to manage securities accounts on behalf of clients. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, the Adviser consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

ITEM 17 VOTING CLIENT SECURITIES

Keystone does on occasion vote proxies on behalf of its clients. When assistance on voting proxies is requested, Keystone will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

ITEM 18 FINANCIALS INFORMATION

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about Keystone's financial condition.

The firm's principals are not aware of any financial condition that would prevent Keystone from delivering contractual services to clients.

Keystone and its principals have neither claimed protection from creditors nor have they ever filed bankruptcy.

Business Continuity Plan

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

DISASTERS

The Business Continuity Plan covers natural disasters such as snowstorms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

ALTERNATE OFFICES

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

SUMMARY OF BUSINESS CONTINUITY PLAN

A summary of the business continuity plan is available upon request to Compliance Department.

INFORMATION SECURITY PROGRAM

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

PRIVACY PRACTICES

Privacy Policy

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

Collects non-public personal information about its clients from the following sources:

- Information received from clients on applications or other forms;
- Information about clients' transactions with the Adviser, its affiliates and others;
- Information received from our correspondent clearing broker with respect to client accounts;
- Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
- Information received from service bureaus or other third parties.

The Adviser will not share such information with any affiliated or nonaffiliated third party except:

- When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
- When required to maintain or service a customer account;
- To resolve customer disputes or inquiries;

- With persons acting in a fiduciary or representative capacity on behalf of the customer;
- With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
- In connection with a sale or merger of The Adviser's business;
- To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
- To comply with federal, state or local laws, rules and other applicable legal requirements;
- In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
- In any circumstances with the customer's instruction or consent.

Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.

Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.