

**Item 1 – Cover Page**

**Part 2A Appendix 1  
Wrap Fee Program Brochure**

**Keystone Financial Group, LLC**

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Date of Disclosure Brochure: July 2015

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of Keystone Financial Group, LLC (also referred to as we, us and Keystone Financial Group throughout this disclosure brochure). If you have any questions about the contents of this brochure, please contact Tobin Ray Jenkins at (859) 317-8316 or [toby.jenkins@keystoneky.com](mailto:toby.jenkins@keystoneky.com). 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 Keystone Financial Group is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Keystone Financial Group, LLC or our firm's CRD number 170201.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last Wrap Fee Program Disclosure Brochure dated February 2014, there have been no material changes to this Wrap Fee Program Disclosure Brochure. In the future, this Item 2 will discuss only specific material changes that are made to this Wrap Fee Program Disclosure Brochure and will provide a summary of such changes. We will also reference the date of the last annual update of the Wrap Fee Program Disclosure Brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Wrap Fee Program Disclosure Brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current Wrap Fee Program Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Services, Fees and Compensation**

Keystone Financial Group is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Kentucky.

##### **Keystone Wealth Managed Asset Program**

We are the sponsor of the Keystone Wealth Managed Asset Program (“KEYMAP Program”), a wrap fee or non-wrap fee asset management program developed through an arrangement using LPL Financial Corporation’s (“LPL”) Strategic Wealth Management platform. Through the KEYMAP Program, we provide investment management services, including providing continuous investment advice to and making investments for you based on your individual needs. Through this service, we offer a customized and individualized investment program. A specific asset allocation strategy and suitability profile is crafted to focus on your specific goals and objectives. The IPS defines your risk tolerance and investment objective. Your information should be updated regularly, but at a minimum every 2 years.

KEYMAP Program accounts are custodied at LPL in its capacity as a registered broker/dealer, member FINRA/SIPC. LPL is also an investment advisor registered with the SEC, but does not serve as an investment advisor for you through the KEYMAP Program. LPL provides clearing, custody and other brokerage services for accounts established through the KEYMAP Program. Therefore, you are required to establish a brokerage account(s) through LPL’s Strategic Wealth Management platform. Separate accounts are maintained for you, and you retain all rights of ownership of you accounts (e. g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

KEYMAP Program accounts allow you to authorize us to purchase and sell, on either a discretionary basis or non-discretionary basis, portfolios consisting of securities and investments. We may limit our discretion with respect to your account and the securities eligible to be purchased for your account. *(See, Limits Advice to Certain Types of Investments at Item 6, Portfolio Manager Selection and Evaluation elsewhere in this Disclosure Brochure.)*

With discretionary authority, we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. Discretionary authority is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. *(Please see Item 16, Investment Discretion, in the separate Keystone Financial Group, LLC Disclosure Brochure for additional information concerning discretionary authority.)*

During any month that there is activity in the KEYMAP Program account, you receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you receive a confirmation of each transaction that occurs within the KEYMAP Program account unless the transaction is the result of a systematic purchase, redemption or exchange. You also

receive a detailed quarterly report showing performance, positions, and activity. All account data and statements are also available on-line through the account view portal through LPL.

The annual investment advisory fee charged will vary between 0.25% – 2.75% of the assets held in the account and is negotiable depending on the market value of the account, asset types, complexity of your portfolio, your financial situation and trading activity. The annual fee is divided and paid quarterly in advance through a direct debit to your account. LPL is responsible for calculating and debiting all fees from your accounts. You must provide LPL with written authorization to debit advisory fees from your accounts and pay the fees to Keystone Financial Group. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter are prorated based on the number of days remaining in the initial quarter.

Prior to engaging Keystone Financial Group to provide investment management services, you are required to enter into a formal investment advisory agreement with us setting forth the terms and conditions, including the amount of investment advisory fees, under which we manage your assets and a also separate custodial/clearing agreement with LPL.

You can open a KEYMAP Program I or KEYMAP Program II account. A KEYMAP Program I account is a non-wrap or traditional account. This means in addition to our investment advisory fee, you also certain pay transaction charges to defray the costs associated with trade execution. These costs are set out in the LPL Strategic Wealth Management platform brokerage account and application agreement. The KEYMAP Program II account is a wrap fee account, meaning you do not pay transaction charges associated with trade execution.

The minimum account size to open any KEYMAP Program account is \$10,000, although exceptions may be granted upon request. Factors considered when granting an exception include the total value of the overall engagement, the types of assets in the account, the time and resources expended on the services and the relationship between the adviser providing services and the client.

You may incur certain charges imposed by third parties other than Keystone Financial Group in connection with investments made through the account including, but not limited to, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Our management fees (which include transaction and execution fees charged by LPL for KEYMAP Program II accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Our representatives, in their separate capacity as registered representatives of LPL, may retain a portion of the commissions charged to you. These commissions may include 12b-1 fees, surrender charges and IRA and qualified retirement plan fees.

The KEYMAP Program I and KEYMAP Program II may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a brokerage account rather than a KEYMAP Program I or KEYMAP Program II account.

We do not always charge a lower advisory fee for KEYMAP Program I accounts versus KEYMAP Program II accounts. The cost for a KEYMAP Program II account is typically higher than a KEYMAP I

Program. This is because transaction costs are passed along to you in KEYMAP Program I accounts while the transaction costs are covered under the overall fee charged for KEYMAP Program II accounts.

When making the determination of whether one of the advisory programs available through Keystone Financial Group is appropriate for your needs, you should bear in mind that fee-based accounts, when compared with commission-based accounts, often result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, the fee-based account arrangements may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost for transactions under a fee account versus a commission account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and your tax situation. It should also be noted that lower fees for comparable service may be available from other sources. You should discuss the advantages and disadvantages of fee-based and commission-based accounts with your adviser representative.

Either party may terminate the agreement for services at any time. If services are terminated within five business days of executing the agreement, services are terminated without penalty and a full refund of all fees paid in advance is provided. If services are terminated after the initial five day period, we provide you with a prorated refund of fees paid in advance. The refund is based on the number of days service is actually provided during the final billing period. Termination is effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There is no penalty charge on termination.

#### **Additional Compensation, Economic and Non-Economic Benefits**

Our representatives are also registered representatives of LPL, a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of LPL. When acting in this separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use LPL and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use LPL.

### **Item 5 – Account Requirements and Types of Clients**

#### **Minimum Account Size**

The minimum account size to open any KEYMAP Program account is \$10,000, although exceptions may be granted upon request. Factors considered when granting an exception include the total value of the

overall engagement, the types of assets in the account, the time and resources expended on the services and the relationship between the adviser providing services and the client.

### **Types of Accounts**

Keystone Financial Group generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Banks or thrift institutions
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Keystone Financial Group specifying the particular advisory services in order to establish a client arrangement with Keystone Financial Group.

### **Item 6 – Portfolio Manager Selection and Evaluation**

We select and review portfolio managers based on many criteria including, but not limited to, performance, holdings, track record, turnover, manager tenure, expense ratio, peer group rating and historical consistency of all of the above.

We rely on third party performance calculations. These third party services utilize standard performance calculation methods. We as a firm cannot confirm or deny the accuracy of these performance measures but rely on them based on their national reputation and standard methods of calculation. We believe them to be fair and accurate representations but do not verify or confirm their accuracy.

None of our related persons act as a portfolio manager for our wrap fee program. We/they do, however, choose managers with respect to the following: asset class, percentage of portfolio, when to add/subtract them from the portfolio, etc. Managers are chosen based on your best interests.

### **Other Advisory Services**

In addition to the management services described above, we provide the following services:

- Financial Planning & Consulting Services
- Referral of Third-Party Money Managers
- Retirement Plan Services
- Newsletters
- Seminars

A description of all fee-based investment advisory services that we provide is available in our Form ADV Part 2A Disclosure Brochure.

### **Limits Advice to Certain Types of Investments**

Keystone Financial Group provides investment advice on the following types of investments:

- Mutual Funds

- Exchange Traded Funds (ETFs)
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Foreign Issues
- Warrants
- Corporate Debt Securities
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- Variable Annuities
- Variable Life Insurance
- US Government Securities
- Options Contracts on Securities
- Options Contracts on Commodities
- Futures Contracts on Tangibles
- Futures Contracts on Intangibles
- Interests in Partnerships Investing in Real Estate
- Interests in Partnerships Investing in Oil and Gas Interests

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

#### **Tailor Advisory Services to Individual Needs of Clients**

Keystone Financial Group's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### **Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Keystone Financial Group **does not charge or accept performance-based fees.**

#### **Methods of Analysis**

Keystone Financial Group uses the following methods of analysis in formulating investment advice:



Charting - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical

measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct analysis, Keystone Financial Group gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies**

Keystone Financial Group uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase.

Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Keystone Financial Group.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Keystone Financial Group and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

### **Voting Client Securities**

Keystone Financial Group does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. You will need to refer to each third-party money manager’s disclosure brochure to determine whether the third-party money manager will vote proxies on your behalf. You may request a complete copy of third-party money manager’s proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager or by contacting Keystone Financial Group at the address or phone number indicated on Page 1 of this disclosure document.

### **Item 7 – Client Information Provided to Portfolio Managers**

Periodically we may need to provide certain financial information about clients to a portfolio manager. This requirement may be necessary when working with an investment that has certain net worth or income requirements. This information may be supplied to the portfolio manager each year as necessary. The information is only provided to establish financial suitability/wherewithal for the specific investment.

## **Item 8 - Client Contact with Portfolio Managers**

Our KEYMAP Program primarily utilizes pooled investment vehicles which have investment/portfolio managers. These managers are not typically available to our clients for direct contact. We have relationships with those managers' companies and each provides us with points of contact so that we can obtain important information, updates and analysis necessary and relevant for our portfolio decision making process. Periodically we may be in direct contact with an investment manager to obtain their view on certain market events. This meeting usually does not include clients.

## **Item 9 - Additional Information**

### **Disciplinary Information**

We have no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or the integrity of our management.

### **Other Financial Industry Activities and Affiliations**

Keystone Financial Group is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with Keystone Financial Group.

### **Registered Representative of a Broker-Dealer**

Our representatives are also registered representatives of LPL, a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of LPL. When acting in this separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use LPL and can select any broker/dealer you wish to implement securities transactions. If you select our

representatives to implement securities transactions in their separate capacity as registered representatives, they must use LPL. The commissions charged by LPL may be higher or lower than those charged by other broker/dealers. In addition, we may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

### **Third-Party Money Managers**

Keystone Financial Group has developed several programs, previously described in *Item 6* of this disclosure brochure, designed to allow us to recommend and select third-party money managers for you. Once you select the third-party money manager to manage all or a portion of your assets, the third-party money manager will pay us a portion of the fees you are charged. Please refer to *Item 6* and Keystone Financial Group's Form ADV Part 2A for full details regarding the programs, fees, conflicts of interest and materials arrangements when Keystone Financial Group selects other investment advisers.

### **Insurance Agent**

You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of Keystone Financial Group by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

### **Interest in Client Transactions and Code of Ethics**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Keystone Financial Group has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Keystone Financial Group requires its supervised persons to consistently act in your best interest in all advisory activities. Keystone Financial Group imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Keystone Financial Group. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Keystone Financial Group or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of

interest. It is the express policy of Keystone Financial Group that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. Keystone Financial Group and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of Keystone Financial Group.

Any associated person not observing our policies is subject to sanctions up to and including termination.

### **Account Reviews**

KEYMAP Program accounts are reviewed at least quarterly but usually on a monthly basis.

Our representatives are responsible for reviewing their own accounts. While the calendar is the main triggering factor, reviews may also be performed due to your specific request, a change in your circumstances and unusual market activity or economic conditions. Absent your specific instructions, accounts are reviewed for accuracy of holdings and to ensure that the portfolios continue to work toward your goals and objectives.

Accounts established and maintained with other third-party money managers are reviewed at least quarterly, usually when statements and/or reports are received from the money manager.

### **Account Statements and Reports**

You receive account statements at least quarterly directly from LPL, the money manager or the qualified account custodian. We also provide an account summary during review meetings with you.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

## **Client Referrals**

Keystone Financial Group may enter into arrangements with unaffiliated individuals or entities ("Introducing Advisors") that will refer clients to Keystone Financial Group for investment advisory services. In return, Keystone Financial Group will agree to pay the Introducing Advisor a fee for the referral.

Introducing Advisor's associates are **not** employees of Keystone Financial Group. Introducing Advisor and Keystone Financial Group are independent entities under separate ownership and control.

The Introducing Advisor is **not** authorized to provide investment advice or manage investments on behalf of or through Keystone Financial Group. The Introducing Advisor does **not** have authority to accept an investment advisory agreement on behalf of Keystone Financial Group or to collect or receive payment in its own name for any investment advisory services of Keystone Financial Group. The Introducing Advisor's role on behalf of Keystone Financial Group is limited strictly to introducing or referring prospective clients to Keystone Financial Group.

Compensation paid by Keystone Financial Group to the Introducing Advisor is dependent upon the client entering into an investment advisory agreement with Keystone Financial Group. Compensation paid by Keystone Financial Group to the Introducing Advisor will be an agreed upon percentage of the investment management fee of Keystone Financial Group as specified in the Introducing Advisor's disclosure statement provided to the client.

The investment advisory fee charged to a client will not increase as a result of compensation being shared by Keystone Financial Group with Introducing Advisor.

This referral program of Keystone Financial Group will be in compliance with federal or state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both Keystone Financial Group and Introducing Advisor. Introducing Advisor will be required to provide the client with a copy of disclosure documents, including Keystone Financial Group's Form ADV Part 2A disclosure brochure, Part 2B brochure supplement(s), and Introducing Advisor's disclosure document at the time of the referral.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

## **Financial Information**

Keystone Financial Group does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability



to meet contractual commitments to clients. Finally, Keystone Financial Group has not been the subject of a bankruptcy petition at any time.

### **Item 10 - Customer Privacy Policy Notice**

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of client information. In situations where a financial institution does disclose client information to nonaffiliated third parties, other than permitted or required by law, clients must be given the opportunity to opt out or prevent such disclosure. Keystone Financial Group does not share or disclose client information to nonaffiliated third parties except as permitted or required by law.

Keystone Financial Group is committed to safeguarding the confidential information of its clients. Keystone Financial Group holds all personal information provided by clients in the strictest confidence and it is the objective of Keystone Financial Group to protect the privacy of all clients. Except as permitted or required by law, Keystone Financial Group does not share confidential information about clients with nonaffiliated parties. In the event that there were to be a change in this policy, Keystone Financial Group will provide clients with written notice and clients will be provided an opportunity to direct Keystone Financial Group as to whether such disclosure is permissible.

To conduct regular business, Keystone Financial Group may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to Keystone Financial Group
- Information about the client's transactions implemented by Keystone Financial Group or others
- Information developed as part of financial plans, analyses or investment advisory services

To administer, manage, service, and provide related services for client accounts, it is necessary for Keystone Financial Group to provide access to client information within the firm and to nonaffiliated companies with whom Keystone Financial Group has entered into agreements with. To provide the utmost service, Keystone Financial Group may disclose the information below regarding clients and former clients as necessary, to companies to perform certain services on Keystone Financial Group's behalf.

- Information Keystone Financial Group receives from the client on applications (name, social security number, address, assets, etc.)
- Information about the client's transactions with Keystone Financial Group or others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services transaction with Keystone Financial Group

Since Keystone Financial Group shares nonpublic information solely to service client accounts, Keystone Financial Group does not disclose any nonpublic personal information about Keystone Financial Group's

clients or former clients to anyone, except as permitted by law. However, Keystone Financial Group may also provide client information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that Keystone Financial Group has a change to its client privacy policy that would allow it to disclose non-public information not covered under applicable law, Keystone Financial Group will allow its clients the opportunity to opt out of such disclosure.