

**ITEM 1. COVER PAGE**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**MARCH 2019**

**KEYSTONE NATIONAL GROUP, LLC  
5000 EXECUTIVE PARKWAY, SUITE 445  
SAN RAMON, CA 94583  
PHONE: (925) 480-6050  
FAX: (925) 480-6060**

**[WWW.KEYSTONENATIONAL.NET](http://WWW.KEYSTONENATIONAL.NET)**

**This brochure provides information about the qualifications and business practices of Keystone National Group, LLC and its “relying advisers” (as described in Item 4). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer by telephone at (925) 480-6050 or by email at [info@keystonenational.net](mailto:info@keystonenational.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Keystone National Group, LLC is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. Additional information about Keystone National Group, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2. MATERIAL CHANGES

The last annual update of our Form ADV firm Brochure (“**Brochure**”) was filed on March 30, 2018. Since then, we have the following material changes:

- In May 2018, we entered into a discretionary sub-advised management relationship with private registered investment advisor by which Keystone provides investment management services, including the identification of private credit opportunities, due diligence on investments, monitoring and reporting services.
- On January 1, 2019, Keystone Real Estate Lending Fund, L.P. transferred all its investments to a wholly-owned subsidiary that has elected to be treated as a real estate investment trust (“**REIT**”) for U.S. federal income tax purposes.

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## ITEM 4 ADVISORY BUSINESS

Keystone National Group, LLC (“we” or “**Keystone**”) is a private markets investment manager providing diversified investment products and strategies with a focus on current income, contractual cash flows and strong downside protection. We are dedicated to providing our clients with a wide array of alternative investment management and supervisory services. We specialize in providing alternative investment solutions and expertise to investors and their advisors in the areas of alternative investment selection and access, due diligence and investment management. Our firm is a limited liability company governed by the laws of the State of Delaware. We have been in business as an investment advisor since 2006 and are principally owned by Brandon R. Nielson and John W. Earl.<sup>1</sup> As of December 31, 2018, we managed approximately \$861,020,200 on a discretionary basis.

We seek to provide our clients with access to attractive risk-adjusted returns and emphasize continuous and regular supervision on investment advisory services to our clients. By combining in-depth research and industry relationships, we provide our clients with access to attractive and difficult-to-access private credit, equity, real estate, energy and other alternative investment opportunities. Our team has broad private markets and alternative investment experience, with particular expertise in private credit, equity, real estate and energy. We carefully evaluate risk through rigorous due diligence to understand the risk parameters of each investment. We believe that the combination of extensive due diligence, appropriate sector allocation and diversification, our deep network of relationships and first-class reporting and administration provide highly attractive private market alternative investment opportunities for our clients and their advisors.

We primarily sponsor and provide investment advisory services to our affiliated private credit, private equity, real estate, energy and other pooled investment fund clients (collectively, our “**Fund Clients**”) and other separately managed accounts (together with our Fund Clients, our “**Firm Clients**”). The majority of our investment advisory services involve providing advice to Firm Clients on investments in privately-held funds or other investment vehicles that acquire the debt, equity and/or other assets of predominantly privately-held companies, publicly-held companies, real estate, energy or other investment opportunities (hereafter “**Private Funds**”), secondary investments in Private Funds, co-investments alongside fund managers and other direct investments in private credit, equity, real estate, energy and other investment opportunities. Keystone Private Funds are classified by the types of investments they make and include buyout funds, mezzanine and other credit strategies, distressed credit funds, energy funds, real estate and other funds that enable us to capitalize on alternative opportunities in the marketplace. For separately managed accounts, we provide advice on all types of investment securities and other assets, but primarily in the areas of alternative investments, private markets, real estate, private energy and cash management.

Our Firm Clients are mainly pooled investment partnerships, separately managed accounts and other private market investment vehicles. These investment vehicles are exempt from the requirement to register as an investment company under Section 3(c)(1), Section 3(c)5, or 3(c)7 of the Investment Company Act of 1940. All investors are required to be “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or otherwise be permitted to invest in private placements under applicable federal and state securities laws, rules and regulations.

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<sup>1</sup> Please note that for purposes of this item, our principal owners include the persons we list as owning 25% or more of our firm on Schedule A of Part 1A of Form ADV.

We also have discretionary sub-advised management relationships with various registered investment advisors and other investors by which Keystone provides investment management services, including the identification of private credit opportunities, due diligence on investments, monitoring and reporting services. Sub-advisory services include, without limitation, identification, review and benchmarking of Private Funds and other investment opportunities, evaluation of portfolio or investment risk, negotiation and other related services. Monitoring and reporting services include, without limitation, portfolio tracking, analysis and monitoring, compilation of performance data, review of various legal documentation, general research and education.

We offer individualized investment advice to our Firm Clients utilizing our alternative investment solutions. We conduct extensive due diligence on each investment opportunity and strive to identify the general and specific risks inherent with each alternative investment made by our Firm Clients. The combination of extensive due diligence, evaluation of risk and appropriate industry, sector and company allocation and diversification allow us to offer Firm Clients with what we believe is the proper portfolio of alternative investments to suit their needs and desired level of risk, which targeted investment characteristics are generally set forth and agreed to at the time we are formally engaged by the client to provide such investment advisory services.

Keystone only tailors its investment advisory and management services to the extent of the listed investment objectives and restrictions of each of its Firm Clients pursuant to the investment guidelines and restrictions set forth in a Client's investment advisory or management agreement and other governing documents as well as through ongoing discussions with each client. Separate account clients have the ability to impose restrictions on investing in certain securities depending on the targeted investment characteristics and nature of our advisory relationship. There can be no assurance that any investment objectives stated in the account governing documents will be achieved.

Those affiliated entities that serve as general partners and managers of the Fund Clients and that are listed in Schedule R of our Form ADV Part 1A (the "**Keystone Relying Advisers**") are relying on Keystone National Group, LLC's registration under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") and are not registering themselves separately. Unless otherwise provided or the context otherwise requires, references to "we" and "Keystone" in this Brochure will include Keystone National Group, LLC and the Keystone Relying Advisers, collectively.

## **ITEM 5            FEES AND COMPENSATION**

Our fees are based upon the scope of the engagement and services required and set forth in the investment management agreements with our Firm Clients, the underlying limited partnership or limited liability company agreements of our Firm Clients or the accompanying subscription agreement of an underlying limited partner or investor. Notwithstanding that our fees are generally negotiable and the fees, compensation and expenses of each Firm Client will differ, our standard fees for a Firm Client are described below:

### **A.            Fund Client Fees**

Pursuant to investment management agreements, limited partnership or limited liability company agreements of our Fund Clients and the subscription agreements with each limited partner or investor, we are generally entitled to an annual management fee, generally payable quarterly or monthly in advance on the first day of each calendar quarter or month, equal to a pre-determined, fixed amount as agreed to with each Fund Client, limited partner or investor. Upon admission of an investor to a Fund Client after the initial closing date, we are generally entitled to management fees on a pro rata basis to reflect such additional capital commitment as if made as of the initial closing date, unless otherwise agreed between

such investor and us. Management fees for investors of our Fund Clients are generally paid out of the capital contributions made by such investors and are deducted quarterly or monthly from our Fund Clients' accounts but will vary based upon written agreements with us.

With respect to certain Fund Clients, we will also be entitled to a one-time administration fee payable by each investor upon admittance to certain Fund Clients in an amount up to 1% of the investor's capital commitment. The administration fee due from each investor is to be paid out of the investor's contributed capital and is deducted from our Fund Clients' accounts upon admission to a Fund Client. We may waive all or any portion of the management fee and/or administration fee with respect to any investor.

Certain placement agents we utilize will share in our management fee. For those placement agents that are compensated via a portion of the management fee, we increase our management fee to the Fund Client by 1 percent and pass the additional 1 percent on to the placement agent. This causes the Fund Client to pay more in fees than it would otherwise. In limited circumstances, a placement agent may also share in a portion of the incentive fee paid by a Fund Client.

We are generally entitled to be reimbursed by our Fund Clients for all organizational and start-up expenses incurred in connection with the formation of such Fund Client, including, without limitation, legal and accounting fees, travel expenses and out-of-pocket costs associated with the formation of the Fund Client, and other ongoing, operational expenses incurred in connection with the management and review of the Fund Client's investment portfolio, including, without limitation, audit and tax preparation fees, due diligence expenses, insurance premiums and reporting expenses. The maximum aggregate amount of such expenses to be reimbursed will be limited as set forth in the limited partnership or limited liability company agreement, and any expenses in excess of such limitation will generally be paid by a Fund Client to us, but the amount of any excess and any such placement fees shall be deducted from the next subsequent installment of the management fee (such deductions shall be applied on a pro rata basis in accordance with the amount of management fee due from each investor, respectively).

We or any of our Fund Clients may generally terminate the investment management agreement without penalty upon written notice. Any fees that have been prepaid shall be refunded on a pro-rata basis based upon the number of calendar days remaining after the termination date in the period as to which fees may have been prepaid.

## **B. Separately Managed Account Fees**

Pursuant to investment management or other formation and organizational agreements with separately managed accounts, we will be entitled to annual management or advisory fees payable to us by such separately managed accounts either upon the last or first day of each calendar quarter or month, in advance or in arrears, as set forth therein. Advisory fees are generally a minimum fixed, flat rate, but will be based upon assets under management and/or performance. Management fees for separately managed accounts are generally paid out of the capital contributions made by such investors and are deducted quarterly or monthly from our Firm Clients' accounts but will vary based upon written agreements with us. We will also be reimbursed by a separately managed account for certain fees and expenses incurred on behalf of a separately managed account. We or a separately managed account may generally terminate the investment management agreement or relationship, with or without cause, upon written notice, and fees, if prepaid, will be adjusted pro rata upon termination unless otherwise agreed to by the client.

Neither we nor any of our supervised persons accepts compensation in connection with the purchase or sale of securities or other investment products; however, we will be entitled to certain

servicing, monitoring and other administration fees from our joint venture partners for services provided on investments.

We or any of our separately managed account clients may generally terminate the advisory agreement without penalty upon advance written notice. Any fees that have been prepaid shall be refunded on a pro-rata basis based upon the number of calendar days remaining after the termination date in the period as to which fees were prepaid.

## **C. Expenses**

### **1. Private Funds**

Fund Clients are generally responsible for all expenses related to the Fund Client's formation, management, operation, administration, transactions, investments and reporting, including, but not limited to, the formation, operation and management of the general partner, the management fee, expenses of custodians, tax professionals, administrators, auditors, legal counsel, reporting, data and insurance providers, valuation experts, placement agents, consultants, brokers, agents, advisors, professionals and other service providers, and Keystone will be reimbursed by our Fund Clients for all such expenses, fees and other costs as set forth and governed by the governing documents of the Fund Client. Keystone remains separately responsible for its ordinary administrative and overhead expenses, including rent, salaries, communication and other similar charges.

Since we have multiple Fund Clients, each with its own offering documents, we encourage fund investors to refer to the respective fund documents for more information on fees and charges.

### **2. Separately Managed Accounts**

Separately managed account clients are generally solely responsible for expenses, fees and other costs incurred in connection with the formation, management, transacting, monitoring and reporting of each separately managed account client and its investment portfolio, and we will be reimbursed by our separately managed account clients for such expenses, fees and other costs as set forth and governed by the account documents or the investment advisory agreement.

Please refer to the respective fund governing document for the complete description of expenses that apply to any particular Firm Client.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The general partners or managers of each of our Firm Clients, each in which certain affiliates of our firm will have a pecuniary interest, will be entitled to distributions from each Firm Client upon the achievement of certain performance milestones as set forth in the applicable limited partnership or other organizational agreement of each Firm Client. Moreover, we or affiliates of Keystone will also be entitled to performance-based fees from certain separately managed accounts and other pooled investment vehicles upon the achievement of certain results as set forth in the applicable investment advisory agreement, sub-advisory agreement, limited liability company agreement or other governing document. Certain Keystone employees will be entitled to receive a portion of such performance-based fees. Distributions made upon the achievement of these performance milestones will be made in conformity with Section 205 of the Advisers Act and Rule 205-3 promulgated thereunder.

As a result of these interests, we will be deemed to manage both accounts that are charged a performance-based fee and an asset-based fee and further deemed to face an inherent conflict of interest

to favor the accounts for which we will receive a performance-based fee or will be deemed to create an incentive to recommend investments that are riskier or more speculative than those under which would be made under a different fee structure, even though in these instances the actual accounts however are often the same. Nevertheless, regardless of the fee structure of a particular Firm Client, we strive to manage the assets in each of our Firm Clients with the same degree of care, attention and interest and believe that as a result of the structure of each Firm Client and accompanying performance incentives, our interests are generally aligned with the interest of the limited partners, members and investors of each of our Firm Clients. Moreover, each investment decision or recommendation to any Firm Client is presented to, discussed with and approved by our investment committee and other members of our investment team, including individuals who are not affiliated with those persons who are entitled to receive any performance-based fees. Additionally, the governing documents of certain of our Firm Clients have clawback provisions that require the general partner or related entity to return performance-based fees in certain circumstances. Therefore, we expect that potential conflicts of interest relative to favoring accounts in which a Keystone affiliate will receive a performance-based fee should be minimal.

## **ITEM 7. TYPES OF CLIENTS**

As noted in Item 4 above, our clients are mainly pooled investment partnerships, separately managed accounts and other private market investment vehicles. These investment vehicles are exempt from the requirement to register as an investment company under Section 3(c)(1), Section 3(c)5, or 3(c)7 of the Investment Company Act of 1940. All investors are required to be “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or otherwise be permitted to invest in private placements under applicable federal and state securities laws, rules and regulations.

We also have discretionary sub-advised management relationships with various registered investment advisors and other investors by which Keystone provides investment management services, including the identification of private credit opportunities, due diligence on investments, monitoring and reporting services. Sub-advisory services include, without limitation, identification, review and benchmarking of Private Funds and other investment opportunities, evaluation of portfolio or investment risk, negotiation and other related services. Monitoring and reporting services include, without limitation, portfolio tracking, analysis and monitoring, compilation of performance data, review of various legal documentation, general research and education.

Keystone has no retail clients or wrap fee accounts.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

In providing investment management services to our Firm Clients, we recommend private credit, equity, real estate, energy and other investments, ventures, funds or opportunities that offer attractive risk-adjusted returns. Keystone’s deep network allows it to source and identify unadvertised, off-the-run potential investment opportunities. Our investment professionals conduct extensive diligence to determine which of these investment opportunities, in our opinion, provide the most attractive risk-adjusted returns. The diligence process carried out by Keystone’s investment professionals includes, but is not limited to, analysis of publicly available information, accounting, on-site information gathering and analysis of company specific, sector specific and general market trends. We generally seek investments that are intended to be held for longer than one year, but the specific strategy of any investment will depend on the facts and circumstances surrounding that investment.

We complete a rigorous, comprehensive and in-depth due diligence process before we recommend that any investment is made by a Firm Client. Keystone’s analysis methods include



fundamental financial analysis and extensive due diligence examination of each investment opportunity in terms of risk-reward analysis and in the context of each Firm Client's objectives and constraints. Examples of key factors that we consider prior to recommending that a Fund Client invest in a fund or other venture include, but are not limited to:

- Type, use, location, transferability and valuation of an asset, cash flow, security or other collateral in which the Fund will invest;
- Predictability, certainty and consistency of the projected yield to be generated by the asset, cash flow, security or other collateral;
- Stability, liquidity and volatility of a particular asset, cash flow, security or other collateral;
- Ease or difficulty with which an asset, cash flow, security or other collateral can be monetized by a borrower, servicer, operator or the Fund Manager within a fixed period of time;
- Historical achievement of success by a borrower, servicer or other investment partner and likelihood of continued success in various potential market scenarios;
- Enforceability, collectability and validity of the legal documentation governing the terms of the proposed investment transaction and specifically securing the collateral, if any;
- Legal jurisdiction and applicable laws, rules and regulations in which the proposed investment is to be made;
- Ability of the Fund Manager to properly monitor, review and enforce the terms of the proposed investment; and
- Assessment of other investors who may invest in the same opportunity.

In order to review the available universe of private market investments and select only those investments that appear best suited to the objectives, risk tolerance and mandates of our Firm Clients and, in our opinion, most likely perform in line with expectations, we expect to implement a comprehensive sourcing and preliminary review process to identify targeted investment opportunities, which will include the use of brokers, specialty trade or association groups and conferences, co-investment partners and servicing relationships.

To ensure that our Firm Clients transact in underlying investments and other assets that we believe present a favorable return profile for the amount of risk taken, we intend to complete a thorough due diligence process before it completes any investment on behalf of a Firm Client. Examples of some, but not all of the key due diligence items that we will consider and evaluate prior to recommending that a Firm Client make an investment will include, but are not limited to, the following:

- Analysis of historical vs. expected operating plans, loss/default rates and projected returns;
- Review of financial statements, audit reports and other financial documentation;
- Evaluations of appraisals, valuation opinions and independent third-party reports;
- Analysis of past performance and variability of achieved returns;

- Discussions with borrowers, management teams, operators, servicers and other related parties to the proposed investment opportunity;
- Confirmation of financial and other commitments by the borrowers, management teams, operators, servicers and other related parties to the proposed investment opportunity;
- Completion of background checks and reference calls, which may include discussions with independent auditors, accountants, attorneys, servicers and other professionals;
- Evaluation of legal protections, security of collateral, and terms of the documentation governing the proposed transaction, which may be completed by or with independent counsel;
- Discussions with existing, prior and/or other investors with familiarity of the potential investment opportunity and applicable market conditions;
- Availability of necessary insurance coverage, if applicable; and
- Review of appropriate checks, controls and fraud protections.

The due diligence process to be completed for each underlying investment is intended to be unique to the facts and circumstances of each potential investment transaction. The actual due diligence components to be completed on any investment may include all, some or none of the aforementioned items.

Investments that we recommend to any Firm Client involve a significant degree of risk and are suitable only for sophisticated investors for whom an investment does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment. There can be no assurance that any investment made by any Firm Client will be able to achieve its investment objective or that any Firm Client will receive a return of any of its capital. We generally recommend investments in private credit, equity, energy or real estate markets and other ventures, which investments inherently include, among other risks that will not be specifically identified herein, the risks identified below. Prior to making any investment, investors should discuss with their advisors the risks associated with such investment, including those set forth in any applicable private offering memorandum, and should carefully consider the following risks, which do not purport to be a complete list of all of the risks involved in private markets and the inclusion of which does not necessarily purport to be material or significant:

***Lack of Liquidity.*** The underlying investments in which Firm Clients invest shall consist primarily of securities and other financial instruments or obligations for which no public market exists, or which are restricted as to their transferability under U.S. federal, state, or non-U.S. securities laws. In some cases, Firm Clients will also be prohibited by contract from selling securities of portfolio companies, funds or other assets for an extended period of time or otherwise be restricted from disposing of such securities, interests or other assets. In other cases, underlying investments will require a substantial length of time to liquidate. Consequently, there is a significant risk that a Firm Client will be unable to realize its investment objectives by sale or other disposition of its securities or other assets at attractive prices or will otherwise be unable to complete any exit strategy with respect to its investments. These risks can be further increased by changes in the financial condition or business prospects of the underlying investments held by the Firm Client, changes in national or international economic conditions and changes in laws,

regulations, fiscal policies or political conditions of countries in which underlying investments are made or in which they conduct their businesses.

***Lack of Diversification.*** The investments of any Firm Client could potentially be concentrated in one investment category or in relatively few industries or regions. As a consequence, the aggregate return on any Firm Client's investments will be adversely affected by the unfavorable performance of a particular investment category, industry or region and will be at a greater risk to overall changes in the economy or interest rates than if such investments were less concentrated in a particular investment type.

***Insufficient Opportunities.*** The business of investing in private market opportunities by any Firm Client is highly competitive and involves a high degree of uncertainty. We will rely on service partners, investment partners or managers to identify attractive investment opportunities. It is possible that a Firm Client will never be fully invested if enough sufficiently attractive investments are not identified during its investment period. Even if an attractive investment opportunity is identified, there is no certainty that a Firm Client will be permitted to invest in such opportunity (or invest in such opportunity to the fullest extent desired). Accordingly, there can be no assurance that a Firm Client will be able to identify and complete attractive investments in the future or that it will be able to invest fully its committed capital.

***Use of Placement Agents.*** We will from time to time enter into selling or other arrangements with placement agents, brokers or dealers with respect to the acquisition of interests in a Firm Client. The number of underlying investors admitted to a Firm Client in connection with a placement agent, broker or dealer and fees paid to such placement agents, brokers or dealers will be substantial. Moreover, we may not oversee the day-to-day activities of such placement agents, brokers or dealers or their actions with respect to the services to be performed pursuant to such selling or other arrangements. Prospective investors are strongly encouraged to review the terms of their subscription agreement with respect to the use of placement agents, brokers or dealers and the fee structure of their interest in any Firm Client

***Potential Suspension of Distributions or Redemptions.*** Neither distributions nor redemptions are guaranteed. Lack of portfolio liquidity or other factors will necessitate the suspension of a Firm Client's targeted distribution or redemption if such Firm Client has insufficient liquidity to make such distributions or redemptions.

***Reliance on Management.*** Firm Clients will not generally have an active role in the day-to-day management of the issuers of the securities in which Firm Clients invest. Accordingly, the ultimate returns of any Firm Clients will primarily depend on the performance of the managers of the issuers of the securities in which Firm Clients invest and could be substantially adversely affected by the unfavorable performance of such underlying managers. There can be no assurance that any of the current officers and employees of the managers of the issuers of the securities in which Firm Clients invest will continue to be associated with any such issuers.

***Financial and Business Risk.*** Firm Clients' investments generally involve a significant degree of financial and/or business risk. Companies, funds, securities or other assets in which Firm Clients invest may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Such investments will face intense competition, changing business or economic conditions or other developments that may adversely affect their performance. Business risks will be more significant in smaller investments or those companies that are embarking on a build-up or operating turnaround strategy. If for any of these reasons an investment by a Firm Client is unable to generate sufficient cash flow to meet principal or interest

payments on its indebtedness or make regular dividend payments, the value of the Firm Client's investments could be significantly reduced or even eliminated, which could have a material adverse impact on the Firm Client's returns.

***Inadequate Return.*** There can be no assurance that the returns on any Firm Client's investments will be commensurate with the risk of investment in the Firm Client. Each investor should have the ability to sustain the loss of its entire commitment to the Firm Client.

In addition, Firm Clients may distribute its investments "in-kind" to its investors (such as upon liquidation), which may be composed of illiquid securities. There can be no assurance that an investor in a Firm Client will be able to dispose of these investments or that the value of these investments will ultimately be realized.

Moreover, Firm Clients' investments will be illiquid. Each Firm Client will be expected to hold its investment for a number of years. Firm Clients generally cannot transfer an interest in an investment.

***Delayed Reporting and Valuation.*** Firm Clients are reliant upon the receipt of financial reports of underlying investments and other third parties for the completion of its quarterly and annual reports. Financial reports from underlying investments or other third parties may be delayed and cause a delay in the financial reporting for Firm Clients.

***Increased Competition in Investments.*** In recent years, there has been an increase in the number of, and flow of capital into, investment funds and accounts established to purchase investments similar to those to be purchased by Firm Clients. While the precise effect cannot be determined, such increase will result in greater competition for investment opportunities or will result under certain circumstances in increased price volatility or decreased liquidity with respect to certain positions. Prospective investors should understand that Firm Clients will compete with such investment funds and accounts, as well as investment and commercial banking firms, which have substantially greater resources, in terms of financial wherewithal and research staff.

***Restrictions on Transfer; Illiquidity of Interests.*** Interests in any Firm Client represent highly illiquid investments and should only be acquired by an investor if it is able to commit its funds for an indefinite period of time. An underlying investor in a Firm Client will not be permitted to transfer its interest without written consent. The transferability of such interests will be subject to certain restrictions and will be affected by restrictions on resales imposed under applicable securities laws. There is currently no established and regulated market for such interests and it is not contemplated that one will develop.

***Lack of Operating History.*** Firm Clients are generally newly formed entities and have no operating or performance history for prospective investors to evaluate prior to making an investment. The successful investment of any Firm Client's assets will depend, among other things, upon the skills of the personnel of the general partner or manager.

***Lack of Uniform Reporting Standards.*** Private market funds utilize divergent reporting standards that will make it difficult to accurately assess the prior performance of the sponsor or service partner. In addition, such reporting variances will affect the ability to accurately value and monitor investments. Investments will be difficult to value because it will be relatively difficult to obtain reliable valuations of the underlying investments. Investors should be aware that situations involving uncertainties as to the valuation of assets held by any Firm Client could have an adverse effect on the returns.

***Long-Term Investments; Risks Relating to Realization of Investments.*** The investments made by Firm Clients are likely to be held, and have little or no liquidity, for long periods of time. Factors such as overall economic conditions, the competitive environment and the availability of potential acquirers will shorten or lengthen the holding periods of such investments. In some cases, Firm Clients will be prohibited from selling certain securities for a period of time or otherwise be restricted from disposing of certain securities. Furthermore, the types of investments made will require a substantial length of time to liquidate. Firm Clients will be unable to realize their investment objectives by sale or other disposition at attractive prices or will be otherwise unable to complete any exit strategy.

***Control Positions.*** Firm Clients may take control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise, violation of government regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If such liabilities were to occur, the Firm Client might suffer a significant loss.

***Interest Rate Risk.*** Actual, expected or perceived changes in the interest or other rates in public, private, government, banking and other securities markets occur during the life of a Firm Client, which will have an adverse effect on, among other factors, the Firm Client, its investments, our ability to execute its investment strategy and the valuation of an interest in the Firm Client.

***Volatile Political, Market and Economic Conditions.*** Investments in many industries have experienced significant volatility over the last several years. The ability to realize investments depends, in part, on political, market and economic conditions. The trading market for the securities of portfolio companies may not be sufficiently liquid to enable the Firm Client to sell securities when it believes that it is most advantageous to do so, or without adversely affecting the price for such securities. Continued volatility in political, market or economic conditions, including an outbreak or escalation of major hostilities, declarations of war or other substantial national or international calamity or emergency, could have a material adverse effect on any Firm Client, directly or as a result of causing a material adverse effect on an underlying investment. In addition, Firm Clients may make investments in certain publicly traded vehicles that make private investments in multiple companies or in publicly traded debt. Such investments could experience higher volatility and risk.

With respect to each Fund Client sponsored by Keystone, a more comprehensive list and description of risks is included in such Fund Client's confidential private offering memorandum, and we strongly encourage each investor and prospective investor to carefully review those risks with their counsel and other advisors.

## **ITEM 9. DISCIPLINARY INFORMATION**

Keystone employees have not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Keystone's advisory business or the integrity of its management.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Registration as a broker-dealer**

Neither we nor any of our management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

## **B. Other registrations**

Neither we nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

## **C. Relationships with related parties**

As described above, we have been engaged by the general partners of each of our Fund Clients and are the managers of certain Firm Clients, separately managed accounts and other investment vehicles to provide our alternative investment management and advisory services pursuant to separate investment management or other agreements with each such person or entity. John W. Earl and Brandon R. Nielson are the managing members of, maintain material interests in and are otherwise affiliated with each of the general partners of our Fund Clients. Moreover, we recommend investments, joint ventures or other private market real estate opportunities with certain managers, partners or other principals who may be deemed related parties or family members of Brandon R. Nielson. Neither we nor Mr. Nielson receive any direct remuneration in connection with such transactions, and through an extensive due diligence review and discussion among the unaffiliated members of our investment committee, we strive to ensure that the terms of any transactions with any related party are in the best interests of our Firm Clients and on terms no less favorable than any other transaction with an unrelated party. However, since both Keystone and its related persons receive an economic benefit from these investments, joint ventures or other private market real estate opportunities, Mr. Nielson will recuse himself from voting in the investment committee on such matters involving any of his related persons. For more information regarding any such transactions or relationships, please contact our Chief Compliance Officer at (925) 480-6050.

# **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT**

## **TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

Keystone's employees are subject to a Code of Ethics (the "**Code**") in accordance with Rule 204A-1 under the Advisers Act. The Code is available by contacting Keystone's Chief Compliance Officer at (925) 480-6050. The Code reflects the fiduciary duty owed by Keystone to its Firm Clients and sets out standards of business and personal conduct for each employee. Guidelines and reporting requirements for personal trading in the Code are intended to mitigate and monitor potential conflicts of interest. A related Insider Trading Policy prohibits employees from trading securities personally or on behalf of a Fund while in possession of material non-public information.

### **B. Personal Trading**

To mitigate possible conflicts of interest arising from personal trading and others that may arise, Keystone has established policies requiring prior written approval from the Chief Compliance Officer for any employee to acquire beneficial ownership of any securities in a private placement or initial public offering. The Chief Compliance Officer must be provided with full details of the proposed transaction including written certification that the investment opportunity did not arise by virtue of the employee's activities on behalf of a Firm Client and that no Firm Clients have any foreseeable interest in purchasing such security.

All employees are required to certify annually that they have complied with the Code and to make annual reports regarding their personal securities account holdings and quarterly reports regarding their personal securities trading activity.

#### **C. Gifts and Entertainment**

Keystone has policies in place governing the types and value of gifts and forms of entertainment that employees may accept from, or give to, Firm Clients, brokers, vendors, or other persons with whom we do business. All giving and receipt of non-personal gifts and entertainment more than \$500 is reported to the Chief Compliance Officer. Extraordinary or extravagant gifts are not permissible and must be declined or returned.

#### **D. Participation or Interest in Client Transactions**

As noted in Item 10, Keystone will from time to time recommend investments, joint ventures or other private market real estate opportunities with certain managers, partners or other principals who will be deemed related parties. Neither we nor any of our employees receive any direct remuneration in connection with such transactions, and through an extensive due diligence review and discussion among the unrelated members of our investment committee, we strive to ensure that the terms of any transactions with any related party of our employees is in the best interests of our Firm Clients and on terms no less favorable than an otherwise unrelated transaction.

Our Code of Ethics allows us and our employees to buy and sell securities identical to those recommended to our clients, although such transactions must adhere to all of the provisions of our Personal Securities Transactions Policies and Procedures, including the review and approval by our Chief Compliance Officer. In fact, we strongly believe that our interests should be closely aligned with those of our clients and as evidence of such belief, employees of our firm act as the managing members of the general partners of each of our Fund Clients or investment managers of other Firm Clients. However, we believe that as a result of the structure of each Firm Client and accompanying performance incentives, our interests are generally aligned with those of each of our Firm Clients. Each investment decision or recommendation to any Fund Client is presented to, discussed with and approved by our investment committee and other members of our investment team, including individuals who are not affiliated with the general partners of any of our Firm Clients. However, generally the investment suitability and requirements of the securities that we recommend to our Firm Clients often preclude our and our employees' ability to invest in such alternative private market transactions.

Principals, employees and other affiliates of Keystone will directly or indirectly own an interest in certain funds, trusts, investment opportunities or other investment vehicles that will invest in one or more of the same underlying investments or strategies as our Firm Clients. Co-investment opportunities will also be presented to certain affiliates of Keystone, as well as third party investors and other persons, and such co-investment opportunities will be effected through co-investment vehicles. We believe that such interests do not create a conflict of interest and instead operate to align the interests of Keystone and our affiliates with our Firm Clients.

### **ITEM 12. BROKERAGE PRACTICES**

#### **A. Best Execution, Broker Selection**

The vast majority, if not all, of the investments made by Firm Clients are in non-registered private credit, equity, preferred equity or real estate related securities, assets or other properties offered in private placements. Thus, Keystone does not ordinarily deal with securities related financial intermediaries such as a broker-dealer, and commissions are not ordinarily payable regarding such investments, unless they are real estate, business broker, placement agent or other similar commissions or servicing fees related to general property or other asset management services provided.

To the limited extent Firm Clients engage in transactions other than non-registered securities offered in private placements, Keystone has the authority to determine the financial intermediaries to be used for such transactions and to negotiate the amount of compensation to be paid to such intermediaries in connection with such transactions. If Keystone determines to engage a securities broker, it will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness, and the value of research provided, if any.

In the unlikely event that any research services are provided utilizing soft dollars, those transactions would be conducted in accordance with Section 28e of the Exchange Act.

## **B. Allocation of Investment Opportunities**

Keystone strives to have fair and equitable allocation practices across Firm Clients with no group or Firm Client being favored or disfavored over any other.

From time to time, certain Firm Clients will invest together in the manner set forth in the applicable governing documents. Subject to the terms of the applicable governing documents, Keystone attempts to mitigate this potential conflict by allocating time, size, industry, type and sector appropriate investment opportunities among all Firm Clients with available capital in an equitable manner on a pro-rata basis based on available investable capital.

We may also recommend that a Firm Client invest certain of its assets into or otherwise participate in the same investment opportunities as other Firm Clients. We seek to ensure that each investment opportunity in which multiple Firm Clients participate is structured in a manner that satisfies the investment objectives, strategies, guidelines and restrictions of each Firm Client, does not favor one Firm Client at the expense of another, and avoids in each instance any layering of multiple fees or other compensation to Keystone.

## **ITEM 13. REVIEW OF ACCOUNTS**

We carefully and regularly monitor all of the underlying investments made by our Firm Clients. Our on-going monitoring activities will include, but are not limited to, reviewing the current status, financial performance and developments of underlying investments, on-site meetings, reviewing valuations of unrealized holdings and ensuring that managers and other service providers operate in compliance with terms and conditions of the underlying investment. We carefully review the financial statements and management reports of each of the investments of our Firm Clients not less than on a quarterly basis. Additionally, interim reviews of the investments of our Firm Clients are conducted as necessary and as determined by general market conditions, additional reports from the underlying investments and other factors. On-going reviews are conducted by members of our firm, including the Managing Partners, Chief Financial Officer, General Counsel, Principals and other investment and financial professionals, and members of our investment committee. We will also retain one or more



independent valuation agents, contractors and other service providers from time to time to assist in monitoring, valuing or reviewing certain underlying investments of Firm Clients.

We communicate regularly with the investors of our Firm Clients and their advisors through various accounting level reports such as quarterly financial statements and a general fund update which includes a detailed capital account statement. We communicate regularly with the principals and managers of separately managed accounts by written and verbal reports and provide detailed analysis of the terms, progress and material developments regarding any underlying investments.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Keystone will from time to time enter into selling or other arrangements with placement agents, brokers or dealers with respect to the acquisition of interests in a Fund by certain Limited Partners. The number of Limited Partners admitted to the Fund in connection with a placement agent, broker or dealer and fees paid by Keystone to such placement agents, brokers or dealers may be substantial and constitute a material portion of the number of Limited Partners of the Fund as a whole. Prospective investors are strongly encouraged to review the terms of their subscription agreement with respect to the use of placement agents, brokers or dealers and the fee structure of their interest in any Firm Client.

To the extent we cause a Firm Client to pay fees to unaffiliated placement agents for investor referrals, all such activities will be conducted in a manner that is consistent with relevant SEC guidance. Any new arrangements with placement agents must be approved in advance by Keystone's Chief Compliance Officer. We do not recommend, request or require that a client directs us to execute transactions through a specified broker-dealer. As described herein, we have entered into placement agreements with several broker-dealers under which the broker-dealer will be a placement agent for certain Firm Clients and paid certain fees which will include a portion of our management, one-time administration and performance-based fees.

A significant number of limited partners of certain Fund Clients will be affiliated with such placement agents. Unless paid by Keystone directly, such fees are generally paid out of the capital contributions made by such investor and will be substantial. We do not receive any compensation or any part of such fees remitted to placement agents from the capital contributions of such investors.

Keystone has relationships with a number of third-party fund managers who may have similar interests and investment preferences to those of Keystone. From time to time, Keystone will receive or deliver joint investment opportunities in connection with such third-party fund managers. In such instances, Keystone will receive a fee for the referral of the investment opportunity at the completion of the deal.

#### **ITEM 15. CUSTODY**

##### **A. Private Funds**

Keystone, as the adviser to pooled investment vehicles, has related persons that are considered to maintain custody of Fund assets (Fund General Partners). Rule 206(4)-2 of the Advisers Act sets forth the rules for advisers who have related persons which maintain custody of client funds and securities. It is Keystone's policy to comply with these rules through the maintenance of separate custodial arrangements with qualified bank custodians, the issuance of quarterly statements to investors showing the investors'

securities and funds, and an annual independent financial audit of the Funds performed by third-party unrelated public accountants. All investors receive copies of the audited financial statements in accordance with Rule 206(4)-2. It is Keystone's policy that all funds, securities, and other assets, are maintained in the name of the respective Fund Client.

## **B. Separate Accounts**

Keystone, as the adviser to separately managed account clients, is considered to maintain custody over certain of its managed accounts. The determination on custody for separate account clients is decided contractually with each Firm Client. Rule 206(4)-2 of the Advisers Act sets forth the rules for advisers who maintain custody of separately managed account funds and securities. It is Keystone's policy to comply with these rules through the issuance of quarterly statements showing the account's securities and funds, and an annual independent financial audit of the account performed by third-party unrelated public accountants. Separately managed account clients receive copies of the audited financial statements in accordance with Rule 206(4)-2. It is Keystone's policy that all funds, securities, and other assets, are maintained in the name of the respective Firm Client.

## **ITEM 16. INVESTMENT DISCRETION**

Keystone serves as the Fund Client's investment adviser with discretionary authority to implement investment decisions for each Fund Client. This authority is described in the offering documents for each Fund Client. Keystone will make investments that are consistent with the mandates described in the Fund Client's governing documents, but otherwise has broad authority to select investments on a discretionary basis.

We also provide discretionary advisory and sub-advisory services as well as discretionary monitoring and reporting services to separately managed accounts. Sub-advisory services include, without limitation, identification, review and benchmarking of Private Funds and other investment opportunities, evaluation of portfolio or investment risk, negotiation and other related services. Monitoring and reporting services include, without limitation, portfolio tracking, analysis and monitoring, compilation of performance data, review of various legal documentation, general research and education.

Our separately managed account clients may impose restrictions on investing in certain types of securities or investments depending on the targeted investment characteristics and nature of our advisory relationship. Such limitations generally vary and are unique to each client.

## **ITEM 17. VOTING CLIENT SECURITIES**

Keystone or its representatives may have the opportunity to vote on a variety of corporate actions on behalf of Fund Clients. Although, due to the nature of the real estate related assets held by our Firm Clients, the opportunity to vote a proxy on behalf of a Fund Client is rare. In accordance with Rule 206(4)-6 of the Advisers Act, Keystone has adopted written policies and procedures to ensure that any such voting opportunity is exercised with diligence, care, and loyalty.

Current and prospective investors in the Fund Clients may request a copy of Keystone's written policies and procedures governing the voting of corporate actions.

Please contact our Chief Compliance Officer at (925) 480-6050 for more detailed information on our proxy policy or our historical proxy voting.

**ITEM 18. FINANCIAL INFORMATION**

We do not believe that any financial condition exists that is reasonably likely to impair our ability to meet our contractual commitments to Firm Clients. We have not been the subject of a bankruptcy petition at any time.