

**ITEM 1. COVER PAGE**

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

**MARCH 30, 2018**

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**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).**

**Please note that the use of the term “registered investment adviser” and any description of Keystone National Group, LLC and/or our associates as “registered” does not imply any certain level of skill or training. You are encouraged to review this brochure and the brochure supplements for more information on the qualifications of our firm and our associates.**

**ITEM 2. MATERIAL CHANGES TO OUR FORM ADV**

Keystone National Group, LLC (“**we**” or “**Keystone**”) is required to advise you of any material changes to our firm brochure (“**Brochure**”) from our last annual update.

The last annual update of our Brochure was filed on March 31, 2017. Since the date of our last annual update to our Brochure, we have added new investment vehicles as clients, wound down certain investment vehicles as clients and increased our total aggregate assets under management.

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#### ITEM 4 ADVISORY BUSINESS

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, 2017, we managed approximately \$617,100,000 on a discretionary basis and \$147,870,000 on a non-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 (“**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. 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.

We may also provide non-discretionary advisory and sub-advisory services as well as non-discretionary monitoring and reporting services to separately managed accounts. Sub-advisory services may 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 may 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

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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.

combination of extensive due diligence, evaluation of risk and appropriate industry, sector and company allocation and diversification allow us to offer Firm Clients with 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 tailors its investment advisory and management services to the specific investment objectives and restrictions of each of its Firm Clients pursuant to investment guidelines and restrictions set forth in their respective confidential private offering memorandum, limited partnership or limited liability company agreement, investment advisory or management agreement and other governing documents as well as through ongoing discussions with each client. We also provide timely and accurate information regarding the scope, nature and types of investments made by each of our Firm Clients in Private Funds and other investment vehicles or direct investments. Our separately managed account clients may impose other restrictions on investing in certain securities depending on the targeted investment characteristics and nature of our advisory relationship. Investors and prospective investors of each Firm Client should refer to all governing documents of the applicable fund or contractual arrangement to obtain a complete understanding of the actual investment objectives and restrictions unique to each Firm Client. There can be no assurance that any investment objectives will be achieved.

We do not offer any wrap fee programs.

Those affiliated entities that serve as general partners and managers of the Fund Clients and that are listed in Section 1.B. of Schedule D of our Form ADV Part 1A (the “**Keystone General Partners**”) 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 General Partners, 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 may differ, our standard fees for a Firm Client are described below:

### **Fund Clients –**

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 may vary based upon written agreements with us.

We may also be entitled to a one-time administration fee payable by each investor upon admittance to certain Fund Clients in an amount equal to a fixed percentage 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.

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 may be limited as set forth in the limited partnership or limited liability company agreement, and any expenses in excess of such limitation may 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 five (5) days 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.

### **Separately Managed Accounts –**

Pursuant to investment management or other formation and organizational agreements with separately managed accounts, we may 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 may

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 may vary based upon written agreements with us. We may 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, may be adjusted pro rata upon termination unless otherwise agreed to by the client.

#### **Other Expenses –**

As described above, Firm Clients are generally solely responsible for expenses, fees and other costs incurred in connection with the formation, management, transacting, monitoring and reporting of each Firm Client and its investment portfolio, and we may be reimbursed by our Firm Clients for such expenses, fees and other costs as set forth and governed by the applicable limited partnership, limited liability company or other investment advisory agreement.

#### **Other Compensation –**

As described in greater detail elsewhere herein, the general partners or managers of each of our Firm Clients, each in which certain affiliates of our firm may have a pecuniary interest, may be entitled to distributions from such Firm Client upon the achievement of certain performance milestones as set forth in the applicable limited partnership, limited liability company or other organizational agreement of such Firm Client. Moreover, we or affiliates of Keystone may also be entitled to performance-based fees from certain separately managed accounts upon the achievement of certain results as set forth in the applicable investment advisory or sub-advisory agreement. As a result of these interests of our affiliates, we may be deemed to manage both accounts that are charged a performance-based fee and an asset-based fee. We and our employees may also serve companies and/or their stakeholders as special advisors, managers, officers, consultants, directors or in similar capacities for which we and/or they may receive fees, warrants or other compensation.

Other than management, operating or other expenses incurred and paid by our Firm Clients in the ordinary course of business, we have entered into placement agreements with several broker-dealers under which the broker-dealer may be a placement agent for certain Firm Clients and paid certain fees or other commissions in connection with an investor's investment in certain Firm Clients. A significant number of limited partners of our Fund Clients may be affiliated with such placement agents. Unless paid by Keystone directly, such fees are generally paid out of the capital contributions made by investors and may 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.

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 may be entitled to certain servicing, monitoring and other administration fees from counterparties to various investment transactions.

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

Other than as set forth below, neither we nor any of our supervised persons accepts performance-based fees—that is, fees based on a share of capital gains on or capital appreciation of the assets of our Firm Clients. The general partners or managers of each of our Firm Clients, each in which certain affiliates of our firm may have a pecuniary interest, may 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 may 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 may 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 may 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 may receive a performance-based fee or may 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. Keystone has implemented procedures to ensure that all Firm Clients and accounts are treated equitably over time. Therefore, potential conflicts of interest relative to favoring accounts in which a Keystone affiliate may receive a performance-based fee should be minimal or not arise.

The possibility exists that multiple Firm Clients that do not, by their written terms, invest together may have capital available for new or subsequent investments at the same time, which may create a potential conflict of interest with respect to the allocation of available investment opportunities among multiple Firm Clients. Subject to the terms of the applicable Fund 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 in good faith.



## **ITEM 7. TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS**

Our Firm Clients are mainly pooled investment partnerships, separately managed accounts and other private market investment vehicles. Investors in our Firm Clients generally include sophisticated investors, family offices, trusts, estates, charitable organizations, endowments and foundations, high net worth individuals and other experienced investors. Other Firm Clients may include pension funds, insurance companies, pooled investment vehicles and other private fund investors. 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 generally require a minimum account balance of \$25,000,000 in capital commitments for offering our asset management services to our Firm Clients, which include both the pooled investment funds and separately managed accounts to which we may provide our advisory services. Generally, minimum account balance requirements are not negotiable and would be required throughout the course of the client’s relationship with our firm, but may be modified in our discretion as we deem appropriate.

## **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 may 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:

- Anticipated and historical returns (as modified through various base and stress tests);
- Terms and conditions of the investment opportunity;
- General and specific market conditions;
- Benchmarking against peers;
- Operating backgrounds/resources of the manager and/or service provider;
- Stability of management team;
- Financial commitments of managers and/or service providers or other parties involved including, if applicable, guarantors;
- Source of deal flow;
- Historical prices paid for prior deals or transactions;
- Sources of value creation;
- Performance of underlying portfolio companies or investment opportunities and risk taken to generate such returns;
- Prior and existing metrics and consistency of returns;
- Size and potential market opportunities;
- Investment pace;
- Review of legal structure and any debt covenants or other legal provisions, as applicable;
- Review of financial projections, as applicable;
- Appropriate checks, controls and fraud protections;
- Results of reference calls, including discussions with attorneys and auditors;
- Existing portfolio investments;
- Risk of bankruptcy and potential outcomes in the event of a restructuring or default; and
- General terms and conditions of applicable and necessary transaction documents.

In order to review many opportunities and select only those investments that appear best suited to the objectives, risk tolerance and mandates of our Fund Clients and, in our opinion, are most likely to outperform their competitors, we engage in a comprehensive sourcing, preliminary review and due diligence process. After a potential investment is identified by the members of our team and if the results of a preliminary review determine that the potential investment would be appropriate for our Fund Clients, a thorough due diligence process is initiated. The subsequent levels of due diligence provide a comprehensive, in-depth analysis of the potential investment and its managers in an effort to identify only those investments that are best positioned to deliver strong returns to the appropriate Fund Client. These subsequent levels of due diligence involve a review of the investment's overall strategy, management team, track record, legal structure, strengths and weaknesses. We conduct several conference calls and meetings with the various members of the management team, perform in-depth historical performance analysis and portfolio company analysis, conduct on-site due diligence, perform portfolio company visits and reference calls, complete a reference call program and, if necessary, engage outside legal counsel to perform legal due diligence on the terms and conditions of the underlying transaction documents. Only after the due diligence process is completed, our investment committee then deliberates in detail whether a Fund Client should continue with the proposed investment. Similar methods of analysis, processes and investment strategies are employed in the review of potential investments for the separate account.

After an investment is completed, we continue to monitor the risk and performance of the investment. Our on-going monitoring activities may include, but are not limited to, reviewing the current status, financial performance and developments of underlying investments, field audits, on-site and telephonic meetings, review of financial statements, reviewing independent and internally generated valuations of unrealized holdings, reviewing general and specific market conditions or other developments, and ensuring that managers and other service providers operate in compliance with terms and conditions of the underlying investment and governing documentation.

Investments that we may 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 may 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:

***Reliance on Underlying 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 may face intense competition, changing business or economic conditions or other developments that may adversely affect their performance. Business risks may 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.

***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 may 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.

***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.

***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 may 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 may 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.

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.

***Potential Suspension of Distributions or Redemptions.*** Neither distributions nor redemptions are guaranteed. Lack of portfolio liquidity or other factors may 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.

***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 may result in greater competition for investment opportunities, or may result under certain circumstances in increased price volatility or decreased liquidity with respect to certain positions. Prospective investors should understand that Firm Clients may 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 may 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.

***Past Results Not Indicative of Future Performance.*** The results of earlier investments made by us or any of our affiliates are not indicative of the results that any Firm Client may achieve. Actual results may materially and adversely vary.

***Lack of Uniform Reporting Standards.*** Private market funds utilize divergent reporting standards that may make it difficult to accurately assess the prior performance of the sponsor or service partner. In addition, such reporting variances may affect the ability to accurately value and monitor investments. Investments will be difficult to value because it may 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.

***Fees and Expenses.*** Each Firm Client will bear its share of the fees, costs and other expenses of underlying investments.

***Use of Placement Agents.*** We may 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 may 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 and other arrangements of any applicable placement agents, brokers or dealers and to consult their professional advisors with respect to the use of placement agents, brokers or dealers and the fee structure of their interest in any Firm Client.

***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 may shorten or lengthen the holding periods of such investments. In some cases, Firm Clients may 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 may require a substantial length of time to liquidate. Firm Clients may be unable to realize their investment objectives by sale or other disposition at attractive prices or may be otherwise unable to complete any exit strategy.

***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 may 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.

***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 may 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.

**Please Note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While public and private markets may increase and your accounts could enjoy a gain, it is also possible that public and private markets may decrease and your accounts could suffer a significant loss. It is important that you understand the risks associated with investing in public and private markets, are appropriately diversified in your investments, and ask any questions that you may have regarding the objective, risk or diversification of your investments.

**ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. After an extensive review, we have determined that we have nothing to disclose under the aforementioned standard.



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

### **Registration as a broker-dealer –**

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

### **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.

### **Relationships with related parties –**

We are required to disclose any relationships or arrangements that are material to our advisory business or to our clients that we or any of our management persons have with any 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 have and may from time to time 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. Other than as set forth herein, neither we nor Mr. Nielson receive any direct or indirect 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 deemed related party are in the best interests of our Firm Clients and on terms no less favorable than an otherwise unaffiliated transaction and any such transactions that are deemed to be “principal transactions” would be conducted in accordance with Section 206(3) of the Advisers Act. Lastly, because Bradley D. Allen is licensed as a Certified Public Accountant and member of State Bar of the State of California, we are deemed to have related persons who are accountants and lawyers. Mr. Allen has not been retained to provide accounting or legal advice to any of our clients and his relationship does not create a material conflict of interest with clients. For more information regarding any such transactions or relationships, please contact our Chief Compliance Officer at (925) 480-6050.

### **Recommendation fees –**

We do not recommend or select other investment advisers for our Firm Clients for compensation, either directly or indirectly, from such advisers. We do not have any other business relationships with those advisers that create a material conflict of interest.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics –**

We recognize that the management of our clients' investments and the personal investment transactions of the members of our firm demand the application of a strict and comprehensive Code of Ethics that requires that all such investments transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members of our firm, it is logical and even desirable that there be common ownership of some securities and an appropriate alignment of interests through incentives and other means.

Therefore, our firm has established a Code of Ethics which applies to all of our associated persons, and the fundamental principles of which are that (i) the interests of clients must always come first, (ii) Keystone employees must not take inappropriate advantage of their positions and (iii) both actual and potential conflicts of interest must be avoided at all times. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics, which also includes Insider Trading and Personal Securities Transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a prospective client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

We and our affiliated persons may come into possession from time to time of material nonpublic or other confidential information about companies, enterprises or other events which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, we and our affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Keystone. Accordingly, should we or any of our affiliated persons come into possession of material nonpublic or other confidential information with respect to any company, enterprise or other event, we would be prohibited from communicating such information to clients, and we will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law.

### **Conflicts of Interest –**

Although we generally recommend alternative investments in private markets, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts in order to prevent conflicts of interest. For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in. In order to monitor compliance with our personal trading policy, we have a securities transaction reporting system for all of our associates.

As described above, associates 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, but we believe that as a result of the structure of each Firm Client, 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 those persons who are entitled to receive any performance-based fees. Moreover, we have and/or may from time to time recommend investments, joint ventures or other private market real estate opportunities with certain managers, partners or other principals who may be deemed related parties. Other than as set forth herein, neither we nor any of our employees receive any direct or indirect 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 deemed related party are in the best interests of our Firm Clients and on terms no less favorable than an otherwise unaffiliated transaction and any such transactions that are deemed to be “principal transactions” would be conducted in accordance with Section 206(3) of the Advisers Act .

From time to time, certain Firm Clients may invest together in the manner set forth in the applicable governing documents. Subject to the terms of the applicable Fund 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 in good faith. 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.

For more information regarding any such transactions or relationships, please contact our Chief Compliance Officer at (925) 480-6050.

### **Investing in the Same Securities as our Clients –**

Our Code of Ethics allows us and our associates 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 of 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, associates 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 associates’ ability to invest in such alternative private market transactions.

Principals, employees and other affiliates of Keystone may directly or indirectly own an interest in certain funds, trusts, investment opportunities or other investment vehicles that may invest in one or more of the same underlying investments or strategies as our Firm Clients. Co-investment opportunities may also be presented to certain affiliates of Keystone, as well as third party investors and other persons, and such co-investment opportunities may 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.

**Investing in the Same Securities at the Same Time as our Clients –**

Other than as set forth herein, neither we nor our related persons generally recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or a related person buys or sells the same securities for our or their own account. As described above, associates 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 and as a result thereof, such general partners or investment managers may indirectly participate in the investment transactions alongside each of our Firm Clients. If we or any of our related persons participate in any investment transactions alongside a Firm Client, such participation is on the same terms, timing and priority as a Firm Client.

## **ITEM 12.      BROKERAGE PRACTICES**

### **Research and Other Soft Dollar Benefits –**

Keystone has a fiduciary and fundamental duty to seek best execution (i.e., seeking to obtain not necessarily the lowest commission, but best overall qualitative execution) for investment transactions on behalf of its Firm Clients. The vast majority, if not all, of the investments made by Firm Clients are in non-registered securities offered in private placements and typically without the services of a broker-dealer. We generally do not receive any material research or other similar products or services other than execution from a broker-dealer or a third-party in connection with client securities transactions (“soft dollar benefits”), but may from time to time agree to accept research reports, compilations of private or public market data or other products and services other than execution from a broker-dealer or a third party in connection with a client securities transaction. If we agreed to accept such soft dollar benefits, we would presumably not have to produce or pay for such research, products or services ourselves and as a result, may have an incentive to select or recommend a broker-dealer or other third-party based on our interest in receiving the research or other products or services, rather than on our client’s interest in receiving most favorable execution. However, we have adopted policies and procedures to ensure that we honor our fiduciary duties to all of our clients, that we provide the most favorable execution for our clients and that we do not direct any client to a particular broker-dealer or other third party directly as a result of any soft dollar benefits. Clients do not pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.

### **Brokerage for Client Referrals –**

We do not select investment broker-dealers for our clients. Other than as set forth herein, neither we nor any related person receives client referrals from any broker-dealer or third party. We may select real estate brokers or other service professionals with respect to the underlying transactions in which a Firm Client may participate, but each such engagement is made consistent with our Code of Ethics and similar obligations to conduct our business in the best interests of our clients.

### **Directed Brokerage –**

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 may be a placement agent for certain Firm Clients and paid certain fees in connection with an investor’s investment in such Firm Clients. A significant number of limited partners of certain Fund Clients may 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 may 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.

Because the availability and practice of bunching is generally not applicable or often relevant to the types of alternative private market investments that we generally recommend to our clients, we do not aggregate the purchase or sale of securities for client accounts.

### **ITEM 13. REVIEW OF ACCOUNTS OR FINANCIAL PLANS**

Investments are managed in an effort to achieve returns, provide the Firm Client reporting and communications and mitigate market and investment risk when possible, in accordance with each Firm Client's investment objectives, strategies, guidelines and restrictions. We carefully and regularly monitor all of the underlying investments made by our Firm Clients. Our on-going monitoring activities may 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 may 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 may review client accounts more frequently than described above. Among the factors which may trigger a more frequent review include, but are not limited to, major market, political or economic events, client requests, unanticipated performance or other results, timing and frequency of capital contributions, changes in the composition of the management team, actual or potential litigation, disruptions or accelerations to business plans, changes in the underlying strategy and other factors that we may deem significant or necessary to review such underlying investment.

We communicate regularly with the investors of our Firm Clients and their advisors by written and verbal reports. On a quarterly basis, we prepare and distribute financial statements to each of our Fund Clients and their advisors, which reports include a statement of assets, liabilities and partners' capital, statement of operations, changes in partners' capital and cash flows, schedules of investments, and notes to such financial statements. We also prepare and distribute on a quarterly basis to each of our Fund Clients a general fund update along with detailed capital account statements, including contributions, distributions, income and expense allocations, and realized and unrealized gains and losses. Upon completion of the annual audit of each of our Fund Clients, we provide a copy of the report, opinion and audited financial statements to the limited partners of each of our Fund Clients and their advisors, which audited financial statements are prepared in accordance with U.S. generally accepted accounting principles by an independent public accounting firm that is registered with the Public Company Accounting Oversight Board. 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 may compensate individuals or entities for the referral of advisory clients so long as appropriate disclosures are made and applicable regulatory requirements are met. As described above, we have entered into placement agreements with several broker-dealers under which the broker-dealer may be a placement agent for certain Firm Clients and paid certain fees in connection with an investor's investment in such Firm Clients, including a portion of our management, one-time administration and performance-based fees. A significant number of the limited partners of certain Fund Clients may be affiliated with a placement agent. Unless paid by Keystone directly, such placement agent fees are generally paid out of the capital contributions made by such investors and may be substantial. We do not receive any compensation or any part of such fees remitted to such placement agents from the capital contributions of such investors. Neither we nor any related persons directly or indirectly compensates any person who is not a supervised person for client referrals.

## **ITEM 15. CUSTODY**

Keystone is deemed to have custody of all of its Fund Clients' cash and non-privately offered securities by virtue of having the authority to obtain such Fund Clients' assets, for example, by deducting advisory fees from a Fund Client's accounts with qualified custodians or otherwise withdrawing funds from a Fund Client's account. Qualified custodians of such assets of our Fund Clients do not send account statements directly to the limited partners or beneficial owners of our Fund Clients. As described elsewhere herein, we prepare and distribute reports and statements to each of our Fund Clients, underlying investors and their advisors as well as to the principals and managers of any separate accounts. Clients and their advisors should carefully review each of those reports and statements and compare such statements with their own individual or personal records.

In accordance with Rule 206(4)-2 of the Advisers Act, Keystone ensures that each Fund Client or other entity for which we are deemed to maintain custody is audited on an annual basis by an independent accountant that is registered and subject to regular inspection by the Public Company Accounting Oversight Board in accordance with its rules and distributes audited financial statements of such entities prepared in accordance with generally accepted accounting principles to the limited partners or beneficial owners of such applicable Firm Clients generally within 90 or 180 days after the end of each fiscal year, as applicable (as each Firm Client for which Keystone is deemed to have custody must generally first receive the audited financial statements from the sponsor of an underlying investment).



## **ITEM 16. INVESTMENT DISCRETION**

We maintain discretionary authority in the management of the investments of our Fund Clients (by virtue of the terms of the fund documents) and provide timely and accurate information regarding the scope, nature and types of investments made by each of our Firm Clients. As described above, we tailor our investment advisory, discretionary authority and management services to the specific investment objectives and restrictions of each of our Firm Clients pursuant to investment guidelines and restrictions set forth in their respective confidential private offering memorandum, limited partnership, limited liability company or subscription agreements, which may include limited powers of attorney and other managerial rights to exercise such discretion, investment advisory, side letter or management agreements and other governing documents as well as through ongoing discussions with each Firm Client. Our separately managed account clients may impose other restrictions on investing in certain securities depending on the targeted investment characteristics and nature of our advisory relationships. Such limitations generally vary and are unique to each client. We may also provide non-discretionary advisory and sub-advisory services as well as non-discretionary monitoring and reporting services to separately managed accounts. The vast majority, if not all, of the investments made by Firm Clients are in non-registered securities offered in private placements without the services of a broker-dealer.

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

Keystone, as a matter of policy and as a fiduciary to its clients, has responsibility for voting proxies for investment securities consistent with the best economic interests of its clients. As described above however, the vast majority, if not all, of the investments made by Firm Clients are in non-registered securities offered in private placements in limited partnerships, limited liability companies or other equity, debt and contractual instruments, making it unlikely that any Firm Clients will be placed in a position of proxy voting authority. The management, voting and other discretionary authority of each of our Firm Clients is subject to the terms, conditions and other provisions of the applicable investment management, limited partnership agreement and other governing arrangements of such client. However, in accordance with the more expansive definition of proxy voting outlined above, all such decisions will be made in accordance with our proxy voting policy adopted pursuant to Rule 206(4)-6 of the Advisers Act.

We have adopted policies and procedures to ensure that any proxy voting is in the interest of maximizing overall and generally long-term shareholder value. To that end, we generally will vote in a way that we believe, consistent with our fiduciary duty, will cause the value of the issue to increase the most or decline the least. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote, and if a potential or perceived conflict of interest arises with any particular situation, our Chief Compliance Officer and the Managing Partners of our firm will review such conflict and, if necessary, consult with independent, outside legal counsel or other third-party service providers to determine the appropriate course of action consistent with our fiduciary duty. Any general or specific proxy voting guidelines provided by a Firm Client in writing will supersede this policy. Firm Clients may wish to have their proxies voted by an independent third party or other named fiduciary or agent, at such client's cost.

A copy of our proxy voting policies and procedures may be obtained by our Firm Clients by contacting our Chief Compliance Officer, and clients may contact our Chief Compliance Officer or any other member of our team to discuss questions they may have about particular proxy vote or other solicitation.

## **ITEM 18. FINANCIAL INFORMATION**

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. After an extensive review of our financial position and the payment of fees from Firm Clients, we do not believe that any financial condition exists that is reasonably likely to impair our ability to meet our contractual commitments to clients. We have not been the subject of a bankruptcy petition at any time.