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**This brochure provides information about the qualifications and business practices of KeyState Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 702.598.3738 and/or [jmiller@key-state.com](mailto:jmiller@key-state.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about KeyState Advisory, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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I. Advisory Business.

The Firm was created in January, 2011 and became registered with the SEC the same month. The Firm provides advisory services to institutional and individual investors, and focuses on fixed income investing. The Firm offers managed accounts and provides advisory services to parties who manage their own accounts. Currently, our services are limited to fixed income securities.

The Firm is owned by KeyState Holdings, LLC and the Susan J. Miller 1996 Irrevocable Trust. The Firm's managed account services are tailored to the individual needs of its clients. Clients may impose restrictions on investing in certain securities or types of securities.

As of June 11, 2012, the Firm provided continuous and regular supervisory or management services for client accounts with a market value of over \$1,195,000,000.

II. Fees and Compensation.

The Firm's fees are negotiated with each client. The Firm does not have a fee schedule. The Firm expects to charge fixed quarterly fees which it expects to range from \$1,000 to \$50,000 per quarter. Some clients' fees are based upon a percentage of the market value of their portfolio (basis point fee).

The Firm will bill clients, generally on a monthly or quarterly basis for its fees. Clients will pay third party fees such as custodian fees, mutual fund expenses, brokerage and other transaction costs, and wire transfer fees.

Clients typically pay the Firm's fees in arrears. Clients will be refunded any fees not earned on a pro rata basis in the event a contract is terminated early.

Neither the Firm nor any of its personnel accept compensation for the sale of securities or other investment products.

III. Performance Based Fees.

Neither the Firm nor any of its personnel accept performance based fees.

IV. Types of Clients.

The Firm's clients are banks. The Firm has no minimum size requirements for its clients.

V. Methods of Analysis.

The Firm's primary method of analysis is fundamental. Investing in securities involves risk of loss that clients should be prepared to bear.

The material risks of the Firm's method of analysis are that it underestimates the creditworthiness of the issuer of the securities, or that it does not correctly gauge future of interest rates in the economy.

Generally, the Firm does not engage in or recommend frequent trading of securities.

Generally, the Firm does not limit its recommendations to a particular type of security. However, it does limit its recommendations to fixed income securities.

VI. Disciplinary Information.

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management.

VII. Other Financial Industry Activities and Affiliations.

- A. Neither the Firm nor any management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Firm nor any 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. The Firm does not recommend or select other investment advisers for its clients.

VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

- A. The Firm has adopted a code of ethics pursuant to SEC Rule 204A-1. It provides that no Firm employee shall engage in any act, practice or course of business that would violate the provisions of Section 206 of the Investment Adviser's Act of 1940. Section 206 makes it unlawful for any investment adviser:
  - (1) To employ any device, scheme or artifice to defraud any Client or prospective client;
  - (2) To engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any Client or prospective client;
  - (3) Acting as a principal for its own account, to knowingly sell any security to or purchase any security from a Client, or acting as a broker for a person other than such Client, knowingly to effect any sale or purchase of any security for the account of such Client, without disclosing to such Client in writing before the completion of such transaction the capacity in which it is acting and obtaining the consent of the Client to such transaction; or

- (4) To engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.

The Firm expects its officers, members, directors and employees to conduct their personal investment activities in accordance with:

- (a) The duty at all times to place the interests of Clients first;
- (b) The requirement that all personal securities transactions be conducted with this Code of Ethics in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- (c) The fundamental standard that investment advisory personnel should not take inappropriate advantage of their positions.

The Firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

- B. Neither the Firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which the Firm or a related person has a material financial interest.
- C. Neither the Firm nor a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that the Firm or a related person recommends to clients.
- D. Neither the Firm nor a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Firm or a related person buys or sells the same securities for the Firm's own (or the related person's own) account.

#### IX. Brokerage Practices.

- A. The Firm does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.
- B. The Firm does not consider, in selecting or recommending broker-dealers, whether the Firm or a related person receives client referrals from a broker-dealer or third party.
- C. The Firm does not recommend, request or require that a client direct it to execute transactions through a specified broker-dealer.
- D. The Firm aggregates the purchase or sale of securities for various client accounts when it believes the practice benefits its clients.

X. Review of Accounts.

- A. The Firm periodically reviews client accounts or financial portfolios. The review occurs at least quarterly and includes: analytical reports with portfolio details such as cash flow; interest rate sensitivity; fixed income sector distribution; and yield, duration, and average life analysis. The title of the supervised person who conducts the review is the Chief Compliance Officer.
- B. The content and frequency of regular written reports the Firm provides to clients regarding its accounts are as follows: analytical reports with portfolio details such as cash flow; interest rate sensitivity; fixed income sector distribution; and yield, duration, and average life analysis. The Firm also performs internal compliance reviews of its accounts, reviewing all transactions for the prior period to ensure they are within client's current investment strategy and within investment policy guidelines (type, size, maturity, etc.). These reviews are performed on a quarterly basis and also on an other than periodic basis at the Chief Compliance Officer's discretion. A discretionary review could be triggered by unusual trading activity, a large change in portfolio value, concentration of securities, or other factors.

XI. Client Referrals and Other Compensation.

- A. The Firm does not accept economic benefits from third parties for providing investment advice or other advisory service to its clients.
- B. The Firm compensates solicitors pursuant to SEC Rule 206(4)-3 for client referrals. The Firm has one such arrangement for which it pays the following compensation:
  - Ten percent (10%) of the first twelve months' revenues plus five percent (5%) of the second twelve months' revenues received by the Firm from Clients referred to the Firm by the solicitor.

XII. Custody.

The Firm does not have custody of any client funds or securities. Clients only receive account statements from the custodian.

XIII. Investment Discretion.

The Firm accepts discretionary authority to manage securities accounts on behalf of clients. The Firm is not permitted to withdraw funds or securities from client accounts.

XIV. Voting Client Securities.

The Firm does not accept authority to vote client securities.

XV. Financial Information.

- A. The Firm does not require or solicit prepayment of client fees six months or more in advance.
- B. The Firm is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- C. The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.