

Item 1 – Cover Page

# Keystone Global Partners, LLC

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January 28, 2021

Form ADV Part 2A

This Brochure provides information about the qualifications and business practices of Keystone Global Partners, LLC (“Keystone”). If you have any questions about the contents of this Brochure, please contact us at (646) 998-8141. 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.

Keystone Global Partners, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Keystone Global Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that our clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year and will further provide other ongoing disclosure information about material changes as necessary. We will also provide our clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

The material changes in this brochure from our last annual updating amendment on March 10, 2020 are described below. Material changes relate to our policies, practices or conflicts of interests.

- N/A

Our Brochure may be requested at any time by contacting Calvin Lo, Chief Compliance Officer, at (646) 998-8141 or [Calvin@keystonegp.com](mailto:Calvin@keystonegp.com) or by contacting the Compliance Department at [contact@keystonegp.com](mailto:contact@keystonegp.com).

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## Item 4 – Advisory Business

### OVERVIEW OF FIRM

Keystone Global Partners, LLC, is a privately held and independent registered investment advisory firm. The firm was established with a goal of serving as a trusted partner to our clients which include: affluent families and individuals, trusts and estates, charitable organizations and private foundations, and business entities. We offer independent, unbiased financial advice focused on our clients' unique needs and priorities. Keystone is dedicated to enhancing the financial lives and enriching the family legacies of our clients.

### WEALTH AND INVESTMENT MANAGEMENT

**Overview.** We offer comprehensive wealth and investment management services. To the extent requested, we may provide limited consultation services on matters that are generally ancillary to the wealth and investment management process (See also "General Consulting" below for more information). For some clients, this may include a formal financial plan (See also "Financial Planning" below for more information). For families with substantial assets and complex financial lives, we also provide integrated services and advice on matters that may not directly pertain to investments including educating multi-generational families (See also "Family Office Services" below for more information).

**Investment Planning.** We help our clients outline their financial circumstances and investment objectives. This allows us to help clients determine their risk tolerance and create an appropriate investment plan. When providing investment advisory services, we consider our clients' personal situation, income and liquidity needs, time horizon, legal and tax constraints, risk tolerance, inter-generational issues, and other special needs. We help clients think through what financial goals are important to them and structure an investment plan designed to achieve those goals.

**Portfolio Construction.** Portfolios are designed to take into consideration the client's circumstances and risk tolerance. The portfolios are structured to minimize investment risk while targeting a sufficient return to meet client stated investment goals. We use an asset allocation model that incorporates client level goals and our forward-looking view of various asset classes to determine the portfolio's optimal investment composition. Investment portfolios generally include multiple asset classes and investment styles. This increases diversification attributes and reduces portfolio volatility. We perform research on the asset classes and diligence on the specific securities to fulfill the desired mix of assets. Investment options we typically use include: separate account managers, mutual funds, exchange-traded funds, exchange-traded notes, private partnerships, separate investments in equities, bonds, cash-equivalents, and other instruments.

**Portfolio Monitoring.** We monitor client portfolios and, when necessary, we will recommend subsequent modifications to a client's asset allocation or to specific securities in accordance with the client's investment goals and objectives. Monitoring also includes regular due diligence on any investment managers we use in

the portfolios. This due diligence is aimed to make sure managers continue to perform well and can cover topics including: changes in the manager's organization, continuity of portfolio management personnel, investment outlook, inconsistencies in quantitative portfolio metrics, and various other aspects we deem to be important (See also "Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss" below for more information).

**Restrictions.** Our services are tailored to meet the different needs of our clients and clients may impose guidelines or restrictions on investments in certain securities, types of securities, or any other desired portfolio attributes. Such guidelines and restrictions must be provided in writing and may impact performance.

**Other.** We may provide independent research and analysis on certain concentrated stock positions that exist in some client portfolios. We may also provide clients periodic investment-related white papers, research reports, and articles related to the investment process without charge. Our services are offered on both a discretionary and non-discretionary basis (See also "Item 16 – Investment Discretion" below for more information).

**Institutional Intelligent Portfolios ("IIP").** We also offer an automated investment program (the "Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab"). We, and not Schwab, are the client's investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues in connection with the Program.

We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of Institutional Intelligent Portfolios® 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

## FINANCIAL PLANNING

**Overview.** We provide a variety of financial planning services to clients. These financial planning services are offered on a comprehensive or a la carte (limited focus) basis. The financial planning advice will address any or all of the following areas:

- Defining Goals and Priorities
- Tax and Cash Flow Planning
- Liquidity Management
- Retirement Planning
- Education Planning
- Compensation Planning
- Charitable Planning
- Risk Management
- Investment Planning
- Real Estate Analysis
- Mortgage/Debt Analysis
- Insurance Analysis
- Estate Planning
- Sale of Business

In this regard, we may prepare financial plans and analyses as well as financial statements reflecting net worth, cash flow, and income tax projections. We will collaborate with our client's outside advisors such as accountants and attorneys if necessary. We use analytical models to determine the probability of success of a financial plan. This may include the likelihood of accomplishing a client's desired objectives and goals based on their financial resources.

**Information Gathering.** We gather required information through in-depth personal interviews. This information may include a client's current financial assets, sources of income, liabilities, future goals, and attitudes towards risk. We will request the standard information relevant to the financial planning process but solely rely on the client for providing us with accurate documents and informing us of any unique circumstances or situations. We carefully review these clients supplied documents, including our proprietary questionnaire which is completed by the client, and we will create a financial plan to review with the client. Upon client request, we offer to coordinate with the client's accountants and attorneys to obtain the necessary information.

**The Plan.** Working off this comprehensive set of information, we may prepare a detailed financial plan which documents the client's situation and identifies areas of concern. Our written financial plans usually include specific actions or general recommendations for a course of activity to be taken by the clients. This plan may also include a financial model with projections on how the client's current financial resources and anticipated sources of income will support future expenses and goals.

Our recommendations are designed to educate and allow a client to coordinate financial affairs, manage cash flow, prudently reduce income and transfer taxes, and attempt to improve overall net worth more efficiently. Some recommendations can be, for example, to create or revise wills or trusts, obtain or revise insurance coverage, start or alter retirement savings, or establish education or charitable giving programs. We may also highlight opportunities to better manage future estate taxes.

We may make recommendations that the clients begin or revise investment programs. We can analyze investment assets and holdings, both individually and in total, and offer insights as to what could be improved. Insights to a client's current situation might include a lack of diversification, too much invested in a risky or expensive asset, or abnormally high fees. Where appropriate, our recommendations may be determined primarily from tax, cash flow, and estate planning perspective rather than on the risk and return properties of the specific security. As examples, we may make recommendations with respect to the purchase or sale of specific securities or assets as appropriate to address tax or estate planning objectives. We may compare the consequences of selling a security in the market versus gifting a security to charity. We may analyze the purchase or sale of employer securities as part of the development of an employee client stock-option exercise program.

**Implementation.** Should a client choose to implement the recommendations contained in the plan, we suggest that the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. The decision to implement any recommendation of the financial plan is entirely at the discretion of the client. At the client's request, we may assist and coordinate the implementation of certain recommendations of the plan. In this process we may review the plan with the client's existing advisors or make recommendations with respect to products and services offered by third-party service providers. If needed or requested by the client, we may also refer clients to accountants, attorneys or other specialists, as necessary. However, the client has no obligation to engage these third-party service providers and the decision to do so rest exclusively with the client.

We generally recommend clients to revisit and update this plan with us on a regular basis. The plan is intended to be a living, breathing document that incorporates any life changes that happens with time.

## **FAMILY OFFICE SERVICES**

**Overview.** For families with substantial wealth, our services aim to provide a more sophisticated and efficient method to manage a family's wealth. We provide a dedicated business infrastructure and act as a quarterback helping to manage and coordinate a team of in-house and outsourced experts to support the various financial and non-financial needs of a family.

We may help families select and appoint professional advisors who will provide advice to multiple generations. Beyond building the correct team, families may face a full range of human resource issues— from

ensuring that professionals perform at a high level to retaining the best-in-class talent. We work towards ensuring the continued high performance and accountability of the team of advisors.

Families may engage us for investment management services as described in the “Wealth and Investment Management” section above. Investment strategies may be determined by family goals and objectives. We help protect family wealth by investing prudently with proper diversification and through the education of family members. We educate future generations to be responsible stewards of wealth and make informed critical decisions.

**Services.** All families are different, and we create fully customized relationship for our family office clients. We work with third-party service providers on certain services listed below. A relationship will typically encompass a subset of the following services we offer:

Investment Management

Investment policy statement development  
Asset allocation  
Portfolio construction  
Manager selection / evaluation / due diligence  
Ongoing portfolio management, manager oversight and rebalancing  
Consolidated performance reporting / analysis  
Concentrated / restricted stock management

Wealth Transfer and Estate Preservation

Wealth preservation and distribution strategies  
Succession planning and philanthropy  
Integration with tax and investment strategies

Tax Planning and Preparation

Tax preparation of individual, corporate, foundation, partnership, fiduciary and gift tax returns  
Advanced tax planning strategies  
Estimated tax payments  
Tax legislation updates

Risk Management

Asset protection planning including personal safety, security & privacy  
Property-casualty insurance planning  
Life insurance planning  
Specialty lines of insurance

Family Continuity / Education

Family governance, mission statement, constitution  
Family meeting facilitation  
Multigenerational education & planning

Lifestyle Enhancements

Concierge services  
Personal property management  
Travel management  
Aircraft / yacht management  
Domestic help and payroll  
Bill pay services  
Health and healthcare



#### Philanthropy

Charitable and high-impact philanthropic counseling  
Strategy analysis and implementation  
Foundation management & administration

#### Financial Information Management

Financial accounting / reporting  
Consolidated reporting  
Balance sheet & cash flow analysis  
Investment performance reporting  
Record keeping for personal property  
Banking and credit services  
Bank financing analysis & negotiation  
Fraud detection & identity protection  
Document management and retention  
Financial organization  
Art appraisals / consulting  
Collectibles inventory, appraisal & storage

### **GENERAL CONSULTING**

Clients can also receive wealth and investment management advice on a more limited or a la carte basis. This may include advice on isolated areas of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. We provide consultation and administrative services regarding specific investment and financial concerns of the client. Additionally, we may provide advice on non-securities matters. Some of these services could include: working with other family members (parents or children), selling or transferring business assets, purchasing a business, investment projects, debt restructuring, finance negotiations, paying bills, arranging lines/letters of credit, or assisting in personal high-touch handling of the client's finances.

### **MISCELLANEOUS**

We may introduce clients to other investment and non-investment related service providers/professionals, such as accountants, attorneys, insurance providers, other luxury service providers, etc. The client is under no obligation to engage the services of any such introduced professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any introduction or recommendation from us. Although we may have experience with these service providers, we are not responsible for the services provided by these services providers and/or professionals. We are not responsible for any losses caused by the actions of any third-party recommended by us, including but not limited to any accounting or legal professional services. We cannot offer tax advice or replace the services provided by licensed CPAs or attorneys. We advise the client to contact individual tax consultants or legal advisors for additional information. We do not offer wrap fee services.

Keystone was established in 2010 with two principal owners, Calvin Lo and Peyton Carr.

As of December 2020, Keystone manages:

Regulatory Discretionary Assets Under Management	\$ 97,500,000
Regulatory Non-Discretionary Assets Under Management	\$ 4,300,000
Total	\$ 101,800,000

## Item 5 – Fees and Compensation

### WEALTH AND INVESTMENT MANAGEMENT

Clients can engage us to provide investment advisory services on a fee-only basis. Our annual investment advisory fee shall generally be based on a Management Fee depending upon the investment strategy and client. The Management Fee Schedule is provided below but we may adjust the annual fee based upon various objective and subjective factors, such as the scope of the advisory service to be provided, complexity of the engagement, types of investments, and other related factors. Related client accounts may be aggregated for purposes of calculating fees. Some of our existing clients may be grandfathered in under previous fee structures. The management fee will generally be assessed quarterly, payable in arrears, and is subject to change under special circumstances as we deem appropriate.

**Management Fee.** The management fee is a percentage (%) of the market value of the assets placed under Keystone's management (between 0.4% and 1.5%).

*Fee Schedule:*

Client Account Size	Annual Management Fee
Under \$5 million	1.50%
\$5 million to \$20 million	0.80%
\$20 million to \$50 million	0.60%
Above \$50 million	0.40%

Management fees shall be based on the average daily balance of the market value of assets placed under Keystone's management. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Fees are negotiable and will be adjusted based on the complexity of the portfolio and level of other financial planning and services delivered.

### FINANCIAL PLANNING

We may charge on an hourly or flat fee basis for financial planning services. The total fee is based on the scope and complexity of our engagement with a client. If a client's financial affairs are ultimately realized to be more

complex than at the time a flat fee was initially quoted, appropriate additional fees will be quoted and collected to perform the services needed to meet the client's full satisfaction.

Our hourly fees range from \$75 to \$600 per hour for professional staff, depending on the professional classification and experience of the individual providing the service.

Flat fees generally range from \$2,000 to \$25,000 for a comprehensive engagement. The flat fee is quoted based on a projection of value added, time and expense associated in working with the client for a 12-month period. This can include gathering data, developing the written plan, reviewing the plan with appropriate advisors, discussing the plan with the client, implementation, and continuing to review, monitor and update the client's affairs for as long as needed by the client's circumstance.

Occasionally, clients request financial advice without necessitating the upfront estimate for the full scope of the financial planning services described above. This might occur at any time during the relationship. In these situations, clients receive the same professional assistance in their financial affairs; however, fees are billed in arrears. Fees for such assistance depend upon the complexity of the services and the professional and administrative associates involved with providing such assistance. Upon agreement with the client, we may charge strictly based on the value of services received by the client.

## **FAMILY OFFICE SERVICES**

Our family office services fee structure is either based on a percentage of net worth, assets under management, or a flat fee. The total fee and fee structure is dependent on the scope of the services provided, complexity of the relationship, and value added for the client. The specific manner in which family office services fees are charged by us is established in the advisory agreement with our clients.

Generally, quarterly retainer fees are negotiated on a case-by-case basis based on the estimated volume and complexity of ongoing work based on hourly billing rates and the expected amount of time our staff will spend on the work being performed. Retainers are billed quarterly in advance and typically range from \$5,000 to \$50,000 but can be greater than this for more complex family office engagements.

Fees are based on expected service time and hourly fees ranging from \$75 to \$600 per hour for professional staff, depending on the professional classification and experience of the individual providing the service. While we have standard hourly billing rates for family office services, all fees are subject to negotiation. Fees are due and payable upon the receipt of our invoice. Upon termination of the advisory agreement, any unused retainer credit is refunded based on either the passage of time or utilization of hours, depending on the terms of the engagement.

## OTHER CONSULTING

We may charge fees according to a fixed-fee arrangement or on an hourly basis. We may require a retainer of fifty-percent (50%) of the estimated total fee with the remainder of the fee directly billed to the client and due to us within thirty (30) days of the consultation being rendered. Fixed fees are negotiable and will be determined on a case-by-case basis, depending on factors including but not limited to the nature and complexity of the services, staffing arrangements, and size of the asset base. Likewise, hourly charges may vary depending upon the nature of work or scope of services, sophistication of the services provided, and professional level of personnel required. Generally, hourly charges will range from \$75 to \$600 per hour. All fees will be agreed upon in advance with the client.

**IIP.** As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues in connection with the Program. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

## OTHER

**Fees may vary for clients.** We, in our sole discretion, may waive the minimum and/or charge a lesser fee based on numerous factors (i.e. expected future earning capacity, expected future additional assets, dollar amount of assets to be managed, composition and complexity of the client's portfolio, expertise and staff time required to service the account, related accounts, negotiations with client, the potential value added to the client for the services to be provided, or other factors). We charge fees based on standard fee schedules and hourly rates (as described above) that we believe to be competitive. However, fees are negotiable and may vary from the above fee schedules depending on specific client circumstances. Some clients' fee schedules or account minimums may differ from the above schedules and stated minimums as a result of negotiations, grandfathered relationships, and/or historical fee schedules.

**Fund expenses and trail fees.** Clients whose assets are invested in shares of funds or with separate account money managers will pay both a direct fee to us and an indirect management fee to the underlying fund or separate account money manager. Unlike many of our competitors, neither we nor any of our Access Persons (See also "Item 12 – Code of Ethics" below for more information) receive any fees, commissions, or compensation from sponsors related to the sale or purchase of securities or other investment products. This includes commonly accepted industry practices of asset-based sales charges, service fees, and distribution or service ("trail") fees from the sale of mutual funds. We believe this removes a large conflict of interest so that we can perform in the best interest of the client. We prioritize creating an environment of independence to offer clients objective and conflict free advice.

**Other related fees.** In addition to our investment management fees, clients bear other expenses that may be charged by third parties. Clients may incur certain charges imposed by custodians, broker-dealers, third-party investment managers, and other third parties, such as fees charged by managers, brokerage commissions,

trading costs, transaction fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other related costs and expenses on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee. Clients should review all fees charged by us and our affiliates, custodians, broker-dealers, and others to fully understand the total amount of fees to be paid. See also "Item 12 – Brokerage Practices" below for more information.

**Pass through fees.** In certain circumstances, we have agreed to include certain third-party fees for various investment or financial related services as part of our fee billing process for the convenience of the client. Fees incurred by other professional advisors (legal, accounting, etc.) on behalf of services requested by the client will be passed through to the client when requested.

**Out-of-Pocket Expenses.** In addition to fees, clients may be responsible for certain out-of-pocket expenses for reasonable and direct costs incurred by us on the client's behalf. These out-of-pocket expenses may include out-of-the-ordinary costs and expenses incurred by us in connection with travel, meetings, copying, long-distance telephone calls, facsimile charges, messenger, express delivery services, and special research items. We will provide our clients with an invoice containing a detailed description of such expenses when appropriate. Any other unforeseen expenses may be billed to the client with appropriate written or verbal notifications.

**IIP.** As described in Item 4 Advisory Business, clients do not pay fees to SWIA or brokerage commissions or other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

**Termination.** The advisory agreement between us and the client will continue in effect until terminated by either party with a written notice in accordance with the terms of the agreement. The client is responsible for payment for services rendered until the termination of the advisory agreement. Upon termination of the advisory relationship, a refund to the client or balance due from the client will be determined based upon the terms and conditions of the agreement. Upon termination of any account, any earned, unpaid fees will be due and payable. The client can cancel the advisory agreement without penalty within the first five days after the signing of the agreement.

## **BILLING**

The specific manner in which we charge fees is established in a client's advisory agreement with us. We will generally bill our fees on a quarterly basis in arrears unless otherwise noted. Both our advisory agreement and the custodian's clearing agreement may authorize the custodian to debit the client account for the amount of our advisory fee and to directly remit that management fee to us in compliance with regulatory procedures. If we bill the client directly, payment is due upon receipt of our invoice.

We do not independently value the securities associated with client accounts, the value of which determines our fees. Nonetheless, certain investments in the private funds advised by us require analysis and judgment on our part to determine their value using third-party information as the basis for such valuation. The periodic financial and performance information provided by the managers themselves will be used as the basis for performance reporting and fee billing where our clients pay an asset-based fee, as is generally the case. For public securities, the prices provided to us by custodians and/or third-party pricing services are used for reporting performance and for calculating our fees. While we make every effort to obtain account balances directly from custodians, for reporting purposes we may request that our clients provide us with duplicate copies of account statements.

### **Item 6 – Types of Clients**

We provide investment advisory and financial planning services primarily to the following types of clients:

1. Individuals including corporate executives, business owners, other affluent individuals
2. Trusts, estates, family partnerships, limited partnerships
3. Foundations, charitable organizations, endowments
4. Corporations, limited liability companies and/or other business types
5. Other U.S. and international institutions

We generally require a \$1,000,000 aggregate asset minimum for investment advisory services, however we may make exceptions based on each client's particular circumstances as we deem appropriate. Individuals using the IIP platform are subject to lower minimums as described below.

**IIP.** Clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

## Item 7 – Methods of Analysis, Investment Strategies and Risk of Loss

**Overview.** Investing in securities involves risk of loss that clients should be prepared to bear. We help clients construct diversified investment portfolios which can include a wide range of asset classes and investment styles. Our asset allocation advice is based on our analysis of long-term asset class performance, our fundamental assessment of the current and future investment environment, and customized to the client's specific objectives, risk tolerance and constraints.

When we begin our work together, we first quantify our clients' financial goals to ensure we have a mutual understanding of what they would like to accomplish with their investments. We then suggest an investment plan personalized to their needs and their ability to endure market changes. We broadly follow five major steps in our investment management process:

1. We research and analyze the fundamental investment environment to develop near-term and long-term outlooks on the risks and returns of individual asset classes
2. We evaluate client financial circumstances and investment objectives
3. We then structure a portfolio with an optimized asset allocation to best achieve client objectives taking into account the clients financial circumstances and our fundamental views on the investment environment
4. We then perform due diligence on how best to get exposure to the asset classes. This includes assessing where it is most appropriate to use active or passive strategies and identifying top investment managers in each asset class as appropriate
5. We regularly monitor portfolio performance and continue diligence on fund managers and securities that we invest in. We modify portfolio asset allocations when risks/opportunities are present in the markets or as client circumstances warrant changes

The Keystone Investment Committee ("KIC") is responsible for overseeing and implementing various aspects of our investment management process and client investment portfolios. The IC meets regularly and periodically on an as needed basis. The IC is responsible for, among other things:

1. Maintaining Keystone's overall investment philosophy
2. Maintaining a high caliber investment process
3. Analyzing and interpreting changing economic trends
4. Incorporating changes in our fundamental view to client portfolios

**Fundamental Research.** We believe that incorporating global investments will best position portfolios for the benefits of diversification and growth over the long term. We conduct extensive fundamental research on the global capital markets as part of our investment management process. This research is the basis for our expectations for returns and risks to various asset classes which we then incorporate into building client

investment portfolios. A large factor in portfolio allocations is attributed to our long-term investment risk and return views for various types of various asset classes including:

- |   |                                      |
|---|--------------------------------------|
| 1. Domestic and Foreign Public Equities | 4. Real Estate                       |
| 2. Fixed Income                         | 5. Alternative Investment Strategies |
| 3. Private Equity and Venture Capital   | 6. Commodities                       |

We develop and regularly update our fundamental market views by using both internal research and external research from third-party experts and consultants, including financial services firms, governmental entities, academics, and non-governmental institutions. Our research may include historic, current, and anticipated: economic, sector (e.g., energy or technology), industry, company, financial market, investment analysis and forecasts.

Regardless, perhaps the largest material risk for clients would be forecasting errors in our expectations for different long-term asset class performances. In the event our expectations are significantly different than actual long-term experiences, a client could be substantially disadvantaged as these estimates help to guide our portfolio construction recommendations.

As part of our research and investment management process, we use several sources of information which may include: public sources such as newspapers, internet news aggregation sites, Bloomberg, company press releases, annual reports, and corporate rating services; and private sources such as economic, financial and market data from various third-parties. We believe these resources to be reliable, but we generally do not seek to independently confirm the accuracy of such information.

**Portfolio Construction.** Client portfolios are managed in accordance with each client's investment objectives and financial goals, taking into consideration risk tolerance, time horizon, liquidity and cash flow needs, tax issues, restrictions/constraints, and other relevant factors. We also use quantitative metrics to optimize portfolio allocations such as historical returns, expected returns, standard deviation, correlation, and risk budgeting. Our portfolio construction methodology involves the allocation of client assets among different asset classes with varying levels of risk and return which we expect to react differently to the business cycle and the economy, both in the US and internationally. This increases diversification benefits and lowers the expected volatility of a portfolio.

Beyond quantitative factors, we also take into consideration the general investment and economic outlook and seek to identify and diversify the various risk factors the portfolio may be exposed to. We aim to structure portfolios to have the lowest possible overall risk to attain a desired level of expected return. In some other cases, we may aim to structure the portfolio to have the highest possible return given a desired level risk. At times, we may use derivatives for hedging and trying to protect against a decline in the value of our clients' investments. Derivatives are not used in all client portfolios; they are only recommended to and utilized by clients whose circumstances are appropriate for such types of investments.



Our client portfolios are generally diversified across a variety of asset classes and can include third-party managed (or indexed) investments in mutual funds, exchange traded funds, hedge funds, limited partnerships, private equity, venture capital, and other alternative investments. Underlying investments may include but not limited to, equity securities, fixed income securities, commodity futures, options, and other securities consistent with a client's overall investment strategy and risk tolerance. Investments are viewed generally as Domestic and International Equity, Core Fixed Income, Municipal Fixed Income, and Alternative Investments.

We may recommend changes to portfolio allocations, in an attempt to take advantage of conditions in the current economic environment, while being sensitive to transaction costs and taxes. Our investment recommendations may be implemented in client portfolios at different times dependent on each client's circumstance.

We use third-party applications which assist us in the comparison of investment performance of mutual funds, exchange traded funds, privately managed funds, individual securities, and standard market benchmarks. These applications also facilitate asset allocation by computing the risk and return characteristics of portfolios of securities or indexes, given our assumptions about the risk and return of those portfolio elements. Although we review the quality of these services, we cannot guarantee the calculations are performed correctly.

**Manager Due Diligence.** Once asset allocation is set, our due diligence process is used to select and evaluate investment managers and funds that we deem to be best qualified to meet asset class exposure targets. The KIC may select third-party investment managers such as separate accounts, mutual funds, private investment funds, and limited partnerships to fulfill the asset allocation strategy.

Although the performance of third-party investment managers cannot be guaranteed, we perform due diligence to ensure these investment managers continue to have organizational stability, high quality personnel, focus, portfolio compositions within our expectations, and do not drift from their mandate. The KIC researches and reviews a broad range of information that may include a manager's Form ADVs, monthly and long-term historical investment performance records, marketing literature, interviews with the investment managers and key personnel, review of investment process, personnel turnover and experience, operational issues, narratives on the manager's investment process, biographies on portfolio managers, errors and omissions insurance, litigation, and organization's financial condition. Periodically, the KIC conducts follow-up due diligence reviews on investment managers, including some or all of the above-mentioned factors.

We retain discretion to determine the level of due diligence appropriate for each manager and/or product. It is important to note that not all managers or products used by us are or were evaluated under the current due diligence process or any formalized due diligence process.

Although our due diligence process is thorough, there are general business and operational risks associated with firms that manage money on our client's behalf that could lead to unexpected and unfavorable

developments including but not limited to: significant asset growth, unethical or unlawful behavior by the manager, staff turnover which disrupts the investment decision making process at the manager, and/or a change in control of the manager including sale or dissolution. Other material risks include returns being significantly different than a corresponding benchmark as well as the risk of underperforming the benchmark in any time period and currency risk.

In addition, certain client investment accounts are subject to the methods of analysis described in the offering documents of the underlying funds in which such clients are invested. The managers of such funds will have their own investment practices and those independent investment practices will be described in each manager's Form ADV or other offering documents such as Private Placement Memorandums. Specific securities analysis methods are determined by the managers of the recommended mutual funds and private investment funds. Please see the offering documents of such funds for further information. In addition to information directly requested from managers, we will use published databases of mutual funds and investment manager performance or various other third-party databases as the primary quantitative source for screening potential funds and investment managers against the search criteria established by the KIC.

We rely on a variety of third-party financial applications to perform numerous financial calculations related to investment manager evaluations and although we review the quality of these services we do not independently audit or verify the performance figures or other information reported by the funds or managers that appear in these databases and we cannot guarantee the calculations are performed correctly.

**Portfolio Monitoring.** We regularly update our fundamental views of the economy and investment environment. As our views change, we incorporate the updates into client portfolio allocations. These changes may be short-term underweight or overweight to various asset classes and may be designed to capitalize on current economic conditions over a shorter time period. We also regularly review and monitor the investments and investment managers chosen for our clients to ensure they are meeting our performance objectives and quality standards as mentioned above.

We meet with clients to review life needs and financial goals to ensure the portfolio continues to address current objectives. We periodically rebalance or recommend rebalancing our clients' portfolios to bring the client's portfolio back to the targeted asset allocation and realign the portfolios risk and return characteristics. This is necessary because, over time, the distribution of a portfolio may become out of alignment with investment goals. Some investments will grow faster than others and rebalancing can at times translate to selling assets that have appreciated and are more expensive and then buying assets that have declined and are cheaper.

**IIP.** The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market / systemic risks, asset allocation / strategy / diversification risks, investment strategy risks, trading / liquidity risks, and large investment risks.

**Risks.** Investing in stocks, bonds, and other types of investments inherently involves a certain level of risk. No matter how well designed a portfolio, it contains the potential for losing value that clients should be prepared to bear. All investments are speculative, entail substantial risks, and can lose value. Past performance is no guarantee of future performance. Certain asset classes and/or specific securities which we choose may have poor returns for an extended period. Market risks are inherent in all securities to varying degrees; therefore, no assurance can be given that investment objectives will be realized.

The progress of the capital markets is unpredictable, and our analysis is not able to predict future investment returns. A focus on long-term returns could cause us to ignore or be less concerned with near-term economic or market events. Investing also involves, and is not limited to, the following types of risk: Equity Risk, Market Risk, Fixed Income Risks, Market Liquidity Risks, Small Capitalization Companies Risk, Large Company Risk, Non-U.S. Investments, Extraordinary Events, Increased Regulations, Potential Concentration, Short Sales, Leverage and Derivatives.

The investment managers we choose may underperform their benchmarks, resulting in a worse return than investing in a single index fund or a portfolio of index funds. While we attempt to keep taxes low, using investment managers may incur higher taxes than an index fund also contributing to the likelihood the investment managers may underperform their benchmarks.

Private investment funds (including, but not limited to, U.S. or offshore unit investment trusts, open-end and closed-end mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, ETFs, or other private alternative or other investment funds) and third party money managers generally may involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which will be provided for review and consideration upon request. Private investment vehicles may pursue investment strategies which are not completely transparent to investors. Investing in private investment funds is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Clients should carefully review and consider potential risks before investing in private funds. Certain of these risks may include loss of all or a substantial portion of the investment due to leveraging, short-selling, other speculative practices, volatility of returns, restrictions on transferring interests in the fund, a potential lack of diversification, higher fees than mutual funds, lack of information regarding valuations and pricing, advisor risk, or a lack of liquidity because of redemption terms and conditions and that there may not be a secondary market for the fund. Private investment funds can be long-term investments, difficult to value, and often employ leverage. Clients will be required to complete a subscription agreement with the private investment fund itself, pursuant to which it will be established that they are qualified for investment in the fund, and acknowledge and accept the various risk factors that are associated with such an investment. These private investment funds and managers will charge their own management and other fees, so that if we invest in them, the client will bear additional fees and expenses. Some private investment funds have capital calls where if a client defaults on will have consequences.

Prior to implementation of any recommendation, it is important for clients to review materials which are delivered to them, such as agreements, investment prospectuses, offering memorandums, applications, subscription agreements, etc., and to contact their other professional advisors, such as a tax preparer or attorney, if necessary.

#### **Item 8 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material a client's evaluation of us or the integrity of our management. Neither we as a firm nor any of our Investment Adviser Representatives have been subject to any disciplinary action as of the date of this brochure.

#### **Item 9 – Other Financial Industry Activities and Affiliations**

**Insurance Agent or Broker.** Some of our principals/investment adviser representatives may have insurance company affiliations and as licensed insurance agents, they may recommend to advisory clients a variety of insurance products. They may offer insurance products to clients for which they may receive compensation. While we endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations. These individuals may spend as much as 5% of their time on all of these related activities.

**National Futures Association.** We have filed a notice of exemption from the National Futures Association to occasionally place commodity and futures trades on behalf of clients. We have no other information applicable to this Item.

#### **Item 10 – Code of Ethics**

**Overview.** We have adopted a Code of Ethics ("COE") for all Keystone "Access Persons", as defined immediately below. Our COE enforces a high standard of business conduct and fiduciary duty to act in our clients' best interests. We have adopted procedures to ensure compliance with the provisions of the COE, including annual acknowledgements and affirmations of compliance and upon amendment. The COE includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

**Access Persons.** We use the term "Access Persons" herein as the categories of our employees and related individuals who fall within the term "Access Person" and "Supervised Persons" under the Advisers Act's Rules. The Advisers Act Rules defines "Access Person" to mean any supervised person of an investment advisor who (1) has access to nonpublic information regarding any advisory clients' purchase or sale of securities, or (2) is involved in making securities recommendations to advisory clients in advisory accounts, or who has access to

such recommendations that are nonpublic. Further, the Advisers Act Rules defines "Supervised Person" to mean any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor.

**Main Points.** Some of the main points of our COE include that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the firm above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest where possible and disclose where conflicts of interest exist;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Promote the right of the client to select and choose any broker-dealer he/she/it wishes to utilize;
- Emphasize the unrestricted right of the client to decline to implement or modify any advice rendered;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

The COE also details guidelines on specific topics, some of which include the following:

**Principal or Agency Cross Securities Transactions.** It is our policy that the firm will not affect any Principal or Agency Cross Securities Transactions for client accounts. Principal Transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An Agency Cross Transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. We will not cross trades of publicly traded securities between client accounts.

**Restrictions on Employee Personal Securities Transactions.** Subject to satisfying our COE and applicable laws, Access Persons are permitted to trade for their own accounts in securities which are recommended to and/or purchased for our client accounts. To address the potential conflicts of interest that arise with the personal

trading of our employees, the COE requires that a client's interest prevail. It is our policy that clients' transactions will always have priority over the transaction of an employee of Keystone.

We anticipate that, in appropriate circumstances, consistent with clients' investment objectives, we will cause accounts over which we have management authority to effect and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which we, our affiliates and/or clients, directly or indirectly, have a position of interest. Subject to satisfying the COE and applicable laws, officers, directors and employees of Keystone and our affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The COE is designed to assure that the personal securities transactions, activities and interests of the employees of Keystone will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. If it is appropriate to buy or sell a security at the same time for both a client and an Access Person, combined orders ("block trades") may be placed and if any order is not filled at the same price, prices obtained may be allocated among accounts on an average basis. Partially filled orders will be allocated on a pro rata basis according to each portfolio's desired exposure to the traded security unless transaction costs or other reasons warrant a different allocation. Placing block trades is not required. There may be times when the sale or purchase of a security for an Access Person may precede, occur at the same time, or follow the sale or purchase of a security for a client, subject to the overriding principle that the interests of clients must come before the interests of Keystone or its Access Persons. In addition, the COE restricts trading ahead of client trading activity in the same security if the trading will notably affect the price of the security. Nonetheless, because the COE in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employee trading is regularly monitored under the COE using regular reviews of security holdings and transactions under the COE to reasonably prevent conflicts of interest between us and our clients. Our COE requires employees to: 1) pre-clear certain personal securities transactions (which can include initial public offerings and private placements), 2) report personal securities transactions on at least a quarterly basis, and 3) provide the firm with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. Under the COE certain classes of securities have been designated as exempt transactions, based upon a determination that transactions in these would not materially interfere with the best interest of our clients.

**Insider Trading Policy.** We may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, we may be prohibited from improperly disclosing or using such information for our personal benefit or for the benefit of any other person, regardless if such other person is a client. In accordance with Advisers Act Section 204A, the COE provides that no officer, director, or employee of Keystone may trade in a security, either personally or on behalf of clients, while in possession of material,

nonpublic information regarding securities of a corporation that are publicly traded; nor may any officer, director, or employee communicate material, nonpublic information to others in violation of the law.

**Indirect Financial Interests.** We may include certain exchange-traded funds or mutual funds in our recommended investments in which clients of ours may have an indirect financial interest. This includes but is not limited to funds where the issuer also employs clients of ours or a fund where a client is a member of the fund board of trustees. We apply the same rigorous approach to the due diligence and analysis of such securities as we would to any other investment recommendations.

**Gifts.** In the normal course of business, we and our officers, managers and employees may provide or receive gifts and gratuities to various individuals or entities such as clients, vendors, consultants, and service providers. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to us. We have adopted detailed procedures requiring preapproval and recordkeeping of gifts and gratuities.

Any employee who fails to observe the aforementioned policies risks serious consequences, ranging from reprimand to dismissal, including personal liability. Further, all employees are expected to report all COE violations to the Chief Compliance Officer.

A complete copy of our COE is available to any client or prospective client upon request by contacting the Compliance Department at [contact@keystonegp.com](mailto:contact@keystonegp.com).

## **Item 11 – Brokerage Practices**

**The Custodian and Brokers We Use.** We do not maintain custody of client assets that we manage and on which we advise, although we may be deemed to have custody of client assets if we are given authority to withdraw assets from a client's account (See also "Item 15 – Custody" below for more information). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We do not have the authority to determine, without obtaining specific client consent, the broker-dealer to be used.

In the event that the client requests that we recommend a broker-dealer/custodian for execution and/or custodial services, we generally suggest clients use one of the following custodian/broker-dealers: Charles Schwab and Co., Inc., (Schwab); TD Ameritrade, Inc (TD); Bessemer Trust (BT); Stifel, Nicolaus & Company, Inc. (SNC); Morgan Stanley (MS); and Interactive Brokers LLC, (IB), collectively referred to below as "Recommended Custodian(s)." We have established dedicated technical and electronic interfaces with these Recommended Custodians which mitigates some of the expenses arising from trading activities and custody account administration.

We are independently owned and operated and are not affiliated with any custodian. Prior to engaging us to provide investment management services, the client will be required to enter into a formal advisory



agreement with us setting forth the terms and conditions under which we shall manage the client's assets, and a separate custodial/clearing agreement directly with each designated broker-dealer/custodian. The custodian will hold client assets in a brokerage account and buy and sell securities when we or a client instruct them to. While we may suggest that our clients use one of the previously mentioned custodians/broker-dealers, the client will ultimately decide whether to do so and will open an account by entering into an account agreement directly with the custodian/broker-dealer. We do not open the account for clients, although we may assist clients in doing so. Even though the account is maintained at a particular custodian, we may still use other broker-dealers to execute trades for that account as described below (See also "Brokerage and Custody Costs" below for more information).

**How We Select Brokers/Custodians.** We seek to recommend a custodian/broker-dealer who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. This is commonly known as "Best Execution." In seeking Best Execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services. As a matter of best practice, we consider a wide range of factors, including but not limited to:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts) including block trading functions, trade error resolution, and access to institutional trading
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products such as stocks, bonds, mutual funds, exchange-traded funds, etc.
- Availability of investment research and tools that assist us in making investment decisions
- Information technology and client access capabilities
- Quality of services, professionalism, integrity, and reliability
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Historical relationship with us and our other clients
- Availability of other products and services that benefit clients or us, as discussed below

Although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions because we consider all of the above factors in our selection of Recommended Custodians. Although the commissions paid by our clients shall comply with our duty to obtain Best Execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. Neither we, nor any of our Access Persons receive any portion of the brokerage commissions or transactions fees charged to clients. Our annual Best Execution



review considers many factors as noted above and seeks to ensure the best overall arrangement for the cost of broker-dealer's services and trade execution over many trades and over time for the majority of our clients. We place the interests of our clients first and, as a result, are committed to the practice of Best Execution. To verify continuing compliance with the Best Execution duty, we periodically and systematically evaluate the execution performance of custodians executing our clients' transactions. We have adopted a Best Execution policy that defines Best Execution as it relates to the firm's business practices.

### Brokerage and Custody Costs –

**Commission Rates.** Commission rates paid are determined by the broker-dealer and we do not receive any compensation from commissions paid. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee. We have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transactions or to select any broker-dealer on the basis of its purported or posted commission rate. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent. Recommended broker-dealers may charge commission rates in excess of the amounts another broker-dealer would have charged for effecting transactions when we have determined in good faith that the broker-dealer's commission rates generally are reasonable in relation to the value of the brokerage and/or research provided by the broker-dealer.

For our clients' accounts maintained by Recommended Custodians, the Recommended Custodians generally do not charge the client separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the client's account (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). As an option for some accounts, the Recommended Custodian may charge the client a percentage of the dollar amount of assets in the account in lieu of commissions. When negotiating fees on behalf of our clients, Recommended Custodians take into consideration the entire Keystone relationship and not individual clients. Commission rates and asset-based fees applicable to our client accounts at Recommended Custodians were negotiated collectively on behalf of our clients which should result in generally lower negotiated fees than the fees given to separate unaffiliated accounts in the same scenario. This is reviewed no less than annually as part of our review of custodians and broker-dealer services. In addition to commissions and asset-based fees, our Recommended Custodians may charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we execute using a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into client accounts at the Recommended Custodian. These fees are in addition to the commissions or other fees a client would pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have the custodian where the client's account is held execute most of the trades for the account. We have determined that generally by having the custodian where the accounts are held execute most of the trades is consistent with our duty to seek Best Execution (See also "How We Select Brokers/Custodians" above for more information).

In addition to our investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all separately managed accounts, mutual fund, and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from some custodians without cost, and/or at a discount, support services and/or products, some of which assist us to better monitor and service client accounts maintained at such institutions. Our clients do not pay more for investment transactions effected and/or assets maintained at Recommended Custodians as result of this arrangement. There is no corresponding commitment made by us to Recommended Custodians or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products related to the above arrangement. The following is a more detailed description of support services we receive from some or all of our Recommended Custodians:

**Services That Benefit Our Clients.** Our Recommended Custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Recommended Custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit our clients and their accounts.

**Services That May Not Directly Benefit Our Clients.** Our Recommended Custodians also make available to us certain support services and/or products that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering client accounts. They include investment research, both the Recommended Custodian's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at a Recommended Custodian or the particular custodian with the research. In addition to investment research, our Recommended Custodians may:

- Provide us with software and other technology that provide access to client account data
- Provide us with access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing information and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us.** Our Recommended Custodians also offer other services intended to assist us manage and further develop our business enterprise. These services include:

- Discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events
- Compliance and/or practice management-related publications
- Discounted or gratis consulting services on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Marketing support
- Access to employee benefits providers, human capital consultants, and insurance providers
- Computer hardware and/or software and/or other products used by us in furtherance of our investment advisory business operations

The Recommended Custodian may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Custodians may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Custodians may also provide us with other benefits, such as occasional business entertainment of our personnel, and may make occasional contributions to charitable organizations with which we, our employees, our clients and/or their families have a relationship.

**Charles Schwab & Co - Products and Services Available to Us from Schwab.** Schwab Advisor Services™ is Schwab's business department that serves independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Through Schwab Advisor Services, Schwab provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services described below are generally available on an unsolicited basis and at no charge to us. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of Schwab's support services:

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us. We have adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate for each of our clients.

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody.

**Soft Dollars.** We trade with our Recommended Custodians on an execution only basis. We do not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers or third parties, on a soft dollar commission basis.

In the event of any change in the firm's policy regarding the use of soft dollars, such change must be approved by management and any soft dollar arrangements would only be allowed after appropriate reviews and

approvals, disclosures, meeting regulatory requirements, and maintaining proper records documenting such arrangement.

Portions or all of a client account may be managed by third-party managers. Such managers may have soft-dollar arrangements and “soft dollar” policies unrelated to us. Please see the Form ADV of such managers for further information.

**Valuation.** We will value securities in client accounts that are listed on a national securities exchange or on NASDAQ at the last quoted sales price on the principal market where the securities are traded. We receive this information from custodians and/or independent third-party pricing services.

The value of alternative investments, some of which are held in private investment partnerships, will be based on the last reported market value of our clients’ alternative investments, as provided by the manager of the alternative investment, plus a sum equal to the amount of contributions to the alternative investment less distributions, as calculated from the date of the last reported market value of such investment. However, if the manager of the alternative investment has never provided the client with a market value of the alternative investment, then the fee for the alternative investment shall be determined on the last day of the calendar quarter and based on the total amount of client contributions to the alternative investment less distributions over the life of the investment. Other securities or investments in client accounts will be valued in a manner determined in good faith by us to reflect fair market value, or cost where appropriate. We generally do not perform security valuations ourselves; instead we rely on third parties to provide this data.

Securities held in the private investment partnerships discussed above are valued based on information received from the underlying third-party managers, however, they are subject to more testing by us as to the reasonableness of the valuation methods used by such managers. The private investment partnerships may hold direct or “co-investments” in companies or other such ventures for which we are not provided a valuation of the partnership’s interest by an independent third party. In such cases, we determine the valuation based on the best information available to us from independent sources and using our own analysis to determine a fair market value at which to carry the investment on the partnership’s books. We extend our best efforts to gather all information determined relevant by our valuation team in determining the value of the direct or “co-investments”, and such valuations are reviewed by the KIC for approval. As with all investments, there is no guarantee that the fair value determined by us will in fact be realized upon disposition or maturity of the investment, however it is our good faith determination that it represents what an independent third party might pay for such an investment given all the facts and circumstances known to us at the valuation date.

**Trade Errors.** From time-to-time, but rarely, we may make an error in submitting a trade order on our client’s behalf. When we are at fault, we may reverse the trade or place a correcting trade with the broker-dealer which has custody of the account in which the error occurred. We attempt to minimize trade errors by promptly performing electronic reconciliation procedures with order tickets and intended orders, and by

reviewing past trade errors to understand whether internal control breakdowns, if any, caused the errors. Trading errors will be corrected at no cost to our clients.

Broker-dealers are not permitted to assume responsibility for trade error losses caused by us. Nor may there be any reciprocal arrangements with respect to the trade in question or any subsequent trade to encourage the broker-dealer to assume responsibility for such losses. We will reimburse accounts for losses resulting from trade errors but will not credit accounts for market losses unrelated to our error, or an error resulting in market gains. The gains and losses are reconciled by the custodian within our trade error settlement accounts. If we must reimburse a client for a trade error costing more than \$5,000, prior to disbursing funds or crediting fees, we will obtain the client's written approval of the proposed resolution.

**Directed Brokerage.** The client may direct us to use a particular broker-dealer (subject to our right to decline or terminate the engagement) to execute some or all transactions for the client's account. Such client instructions must be provided in writing. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer. We will not seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions for execution through other broker-dealers with orders for other accounts managed by us.

In directing the use of a particular broker-dealer, clients may be unable to participate in aggregated orders and will be precluded from receiving the benefits, if any, of an aggregation which other clients may receive. We will generally execute aggregated orders for "non-directed" clients (those who use Recommended Custodians) before we execute orders for clients that direct brokerage. Trades for a client that has directed uses of a particular broker-dealer may be placed at the end of aggregated trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving less favorable pricing. In addition, our clients that direct brokerage transactions to a particular broker-dealer may be disadvantaged because they may not obtain allocations of new issues of securities purchased by us through other brokers-dealers. Consequently, clients directing the use of a particular broker-dealer may not receive Best Execution.

It should be understood that we will not have authority to obtain volume discounts. As a result of the client directing us to use a specific broker-dealer, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case had the client effected transactions through broker-dealers recommended by us based on Best Execution.

Portions or all of a client account may be managed by third-party managers. Such managers may have different directed brokerage policies. Please see the Form ADV for such managers for further information. We do not have arrangements in which directed brokers refer clients to us.

**Third-Party Investment Managers.** In some cases, we have selected third-party investment managers to manage the day-to-day investment of portions of client accounts. To the extent that these investment managers selected by us purchase from other broker-dealers securities on which brokerage commissions or sales loads are charged, we rely upon the fiduciary responsibility of each unaffiliated investment manager to review such charges regularly and continuously based on the comparative standard that it may regard as pertinent for evaluating the reasonableness of such commissions. We perform due diligence reviews of the managers we recommend to clients. Portions or all of a client account may be managed by other affiliated or unaffiliated investment managers. Such managers may have trading policies that differ from or conflict with those of ours that are described above. Please see the Form ADV of such managers for further information.

In certain situations, we may select or recommend to a number of our clients investments in certain private funds that invest in illiquid assets, including interests in other private funds (i.e., funds of funds). As a result, to the extent that our clients collectively own a material interest in such private funds, a determination/recommendation by us for clients to simultaneously liquidate their holdings in one or more of these private funds may cause the private funds' managers to be forced to liquidate underlying positions quickly and therefore reduce the opportunity to realize maximum value for certain illiquid positions held by the fund. Similarly, in order to protect their funds from perceived inopportune liquidations, the private fund managers may impose restrictions on redemptions.

**Block Trades.** Aggregation or "blocking" of client transactions allows us to trade aggregate blocks of securities composed of assets from multiple clients' accounts together in a timelier, efficient, equitable manner. We may, but are not obligated to, combine or "block" client orders to obtain Best Execution, to negotiate more favorable commission rates, or to allocate equitably among our clients than might have been possible had such orders been placed independently.

To the extent that transactions are blocked, we will allocate such transactions to all participating client accounts in a fair and equitable manner consistent with our trade allocation procedures, fiduciary obligations, and each participating client's advisory agreement on a best efforts basis. This allocation is generally pro-rata and based on client portfolio targets with an average share price, unless there are extenuating circumstances. We prohibit any allocation of trades that would result in any proprietary accounts or accounts of a particular client(s) or group of clients routinely receiving more favorable treatment than other client accounts. In the event transactions for us, our employees, or principals are aggregated with client transactions, conflicts may arise. These conflicts are addressed in our Code of Ethics (See also "Item 11 – Code of Ethics" above for more information).

Our Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.



**IIP.** Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a brokerdealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform. Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS&Co. retail customers. CS&Co. also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;



- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CS&Co. may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with CS&Co. based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

## Item 12 – Review of Accounts

**Overview.** For those clients to whom we provide investment advisory services, accounts are reviewed by an adviser regularly based on market conditions and a client's specific situation. Clients are advised that it remains their responsibility to promptly notify us if there is any material change in their personal or financial situation or investment objectives, and errors should immediately be reported to us. We will initiate account reviews as we deem necessary or when informed of material changes in a client's financial situation. All clients are encouraged to review investment objectives and account performance with us on an annual basis. Accounts are generally reviewed by a member of the client service team assigned to each client.

We continually monitor general conditions in the stock and bond markets. Factors that may but do not always trigger a review of client accounts include, but are not limited to the following:

- Material changes in a client's financial circumstances of which we are made aware such as the client's life events, etc
- Changes in the general conditions of the stock and bond markets such as a change in trends or investment climates
- Major market or economic events such as large price movements, big economic surprises, and abnormal or unusual trading volumes
- Significant changes to investment vehicles a client owns such as mutual funds, separate account managers, or individual securities

- Requests by the client

**Topics Reviewed.** Client accounts are reviewed to confirm that the recommendations we make and that client investment plans are appropriately positioned based on market conditions, consistent with client investment objectives, and are appropriately designed to help achieve a client's financial goals. Periodic on-going reviews are conducted on an "as needed" basis depending on client needs and the nature of the financial issue. We expect to meet and review the portfolio at least annually, but more often quarterly, and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. We will also have other contact by voice or email more frequently throughout the year.

Depending on the service provided, periodic reviews may include:

- |                                 |  |
|---------------------------------|--|
| • Investment allocation summary | • Implementation summary               |
| • Account performance           | • Updated personal financial statement |
| • New topics of consideration   | • Income analysis                      |
| • Market review and outlook     | • Estate illustrations                 |
| • Recommendations               | • Educational information              |

**Reports.** All clients will receive separate and independent quarterly account statements from their custodian at a minimum. These reports should detail the client's positions, gains and losses (as reported by the custodian), income and expenses, and the performance of all mutual funds, ETFs, private investment funds, and/or investment managers in the client's portfolio managed by us.

We may retain the services of a third party to generate additional performance reports or prepare reports ourselves. These Reports are not intended to replace the statement provided by the client's custodian, which should be considered the official record for all pertinent account information. Our performance reports are provided in a different format from that of the client's custodian and may vary in content and scope. Therefore, we urge clients to compare the information in our performance report to the statements provided by custodians. We also produce custom reports for clients on an ad-hoc basis upon request.

Investors in private investment funds may receive quarterly capital account statements directly from the fund manager. We may rely on the fund manager for account updates for assets invested in these private investment funds. The timeliness of account reviews may be delayed by the accessibility of client information from selected fund managers.

**Financial Plans.** Financial plans may be reviewed at various times with us. The exact review process will depend upon the nature and terms of the specific relationship with us. Reports are prepared for our clients "as needed" or on an "as requested" basis.

### Item 13 – Client Referrals and Other Compensation

From time to time we are given referrals to prospective clients from our existing clients, as well as from other professional service providers, such as lawyers and accountants. None of these individuals or firms are compensated in any way for providing client referrals. Referrals from other professional service providers could cause us to want to return the referrals, however we are careful to refer our business, and that of our clients, in as unbiased of a way as possible. We therefore frequently provide multiple names where possible when asked for referrals to professional service providers.

**IIP.** We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### Item 14 – Custody

We are not a qualified custodian and do not provide custodial services to our clients. We do not take possession of client funds or securities, nevertheless under government regulations, we are deemed to have custody of client assets if, for example, a client authorizes us to instruct the custodian to deduct our advisory fees directly from a client’s account or if we are granted authority to move the client’s money to another person’s account. The Recommended Custodians maintain actual custody of client assets at all times.

Clients should receive at least quarterly custodial statements directly from the broker-dealer, bank or other qualified custodian that holds and maintains client’s investment assets. The custodians we do business with will send our clients independent account statements listing account balance(s), transaction history and any fee debits or other fees taken out of the account. We urge clients to carefully review those statements and compare the custodial records to any periodic reports we provide summarizing account activity and performance. Comparing our report to the custodial statement will allow the client to determine whether account transactions, including advisory fees, are proper. Our reports may vary from custodial statements based on the accounting procedures, reporting dates, or valuation methodologies of certain securities of our portfolio reporting service provider.

We encourage our clients to raise any questions with us about the custody, safety, or security of their assets.

**IIP.** Under government regulations, we are deemed to have custody of a client’s assets if the client authorizes us to instruct CS&Co. to deduct our advisory fees directly from the client’s account. This is the case for accounts in the Program. CS&Co. maintains actual custody of clients’ assets. Clients receive account statements directly from CS&Co. at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. We also urge clients to compare CS&Co.’s account statements to the periodic portfolio reports clients receive from us.

## Item 15 – Investment Discretion

**Discretionary.** We generally receive discretionary authority from the client at the outset of an advisory relationship to determine the amount and type of investments to be bought and sold and managers to be hired and terminated. When assuming discretionary authority, we require each client fill out a profile form to attain a better understanding of the client’s investment objectives and financial situation. We also require the execution of a financial advisor limited power of attorney. In all cases, discretion is exercised in a manner consistent with the stated investment objectives for the particular client account and observing investment limitations and restrictions that are outlined in each client’s advisory agreement or investment policy statement. Clients may place reasonable restrictions on our investment discretion. Investment guidelines and restrictions must be provided to us in writing and such restrictions may impact performance. When selecting securities and determining amounts, we observe the investment objectives, policies, limitations and restrictions of the client for which it advises.

**Non-Discretionary.** For non-discretionary clients, we may not make investment decisions, including buying or selling securities, for the client without prior consultation with, and the consent of, the client. We are not given a limited power of attorney by our clients that would permit us to trade securities on a client’s behalf. Clients understand that they may forego a particular transaction if we cannot obtain their consent and that their trades may not be placed at the same time as other clients where the firm does not need to get prior consent and approval.

## Item 16 – Voting Client Securities

We do not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets. Clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote and we may provide advice to clients regarding the clients’ voting of proxies. However, we shall not be deemed to have proxy voting authority solely as a result of providing such advice to client.

**IIP.** As described in the Program Disclosure Brochure, clients enrolled in the Program designate SWIA to vote proxies for the ETFs held in their accounts. We have directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third-party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the Program Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special Schwab form available from us.

## **Item 17 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.