

## Part 2A of Form ADV



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**October 1, 2023**

This brochure provides information about the qualifications and business practices of Keystone Financial Services. If you have any questions or concerns about the contents of this brochure, please contact us at 970-744-5408 or by email at [keystonecompliance@westernwealthmgmt.com](mailto:keystonecompliance@westernwealthmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Keystone Financial Services is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Keystone Financial Services is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Keystone Financial Services is CRD# 310623.

## ITEM 2 - MATERIAL CHANGES

### SUMMARY OF MATERIAL CHANGES

This section of the brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following are material changes to report since our last Annual Amendment filing on January 31, 2023.

- October 1, 2023 : Kara Jett is replacing Josh Nelson as Chief Compliance Officer.

A free copy of our brochure may be requested by contacting Kara Jett, Chief Compliance Officer of Keystone Financial Services, at [keystonecompliance@westernwealthmgmt.com](mailto:keystonecompliance@westernwealthmgmt.com) or at 970-744-5408. The brochure is also available on our web site at [www.keystonefinancial.com](http://www.keystonefinancial.com).

We encourage you to read this document in its entirety.

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## ITEM 4 - ADVISORY BUSINESS

This disclosure document is being offered to you by Keystone Financial Services (“Keystone Financial”) in connection with the investment advisory services we provide. It discloses information about the services we offer and the manner in which those services are made available to you, our client.

We are an investment management firm with locations in Colorado and Arizona. Our main office is located in Loveland, Colorado. We are committed to helping you build, manage, and preserve your wealth and provide assistance to help you achieve your stated financial goals. The firm was incorporated by Joshua P. Nelson, the firm’s principal owner, in December 2010 and became registered as an investment adviser in 2020.

We may offer an initial complimentary meeting; however, investment advisory services are initiated only after you and Keystone Financial execute an Investment Advisory Agreement.

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### INVESTMENT AND WEALTH MANAGEMENT AND SUPERVISION SERVICES

We manage advisory accounts on a discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with you, we will execute the day-to-day transactions without seeking prior consent, but within the expected investment guidelines. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate your assets among individual stocks, bonds, exchange traded funds (“ETFs”), options, mutual funds, and other public and private securities or investments. Portfolios will be designed to meet a particular investment goal, determined to be suitable to your circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored and rebalanced based on your individual needs, stated goals, and objectives.

During personal discussions with you, we determine your objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review your prior investment history, as well as family composition and background. Based on your needs, we develop a personal profile and investment plan. We then create and manage your investments based on that plan. It is your obligation to notify us immediately if circumstances have changed with respect to your goals and financial objectives.

Within our discretionary relationship, we will make changes to your portfolio, as we deem appropriate, to meet your financial objectives. We trade your portfolio based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet your needs and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives.

You have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We have limited authority to direct the custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you.

Where appropriate, we provide advice about any type of legacy position held in your portfolio. Typically, these are assets that are ineligible to be custodied at our primary custodian. You may engage us to advise on certain investment products that are not maintained at your primary custodian, such as variable life insurance, annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account’s performance. This could result in capital losses in your account.

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### FINANCIAL PLANNING

Through the financial planning process, our team strives to engage you in conversations around your goals, objectives, priorities, vision, and legacy for the near term and future generations. With your unique goals and circumstances in mind, our team will offer financial planning ideas and strategies to address

your holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer, and legacy objectives. Our team partners with your other advisors (CPAs, Enrolled Agents, Estate Attorneys, Insurance Brokers, etc.) to coordinate all parties' efforts toward your stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management, and estate planning.
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession, and other personal goals.
- Development of a goal-oriented investment plan, with input from various advisors, regarding tax suggestions, asset allocation, expenses, risk, and liquidity factors for each goal. This includes retirement accounts, taxable accounts, and trust accounts that require special attention.
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation, and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with your estate attorney and/or tax adviser, an estate plan to provide for you and/or your heirs in the event of incapacity or death.

The firm utilizes financial planning software for your initial and ongoing financial situation. Financial reports will be provided upon your request. An annual review will be provided by the Adviser, if indicated by you and the Adviser, per the agreement. More frequent reviews occur but are not necessarily communicated to you unless immediate changes are recommended.

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#### **FINANCIAL INSTITUTION CONSULTING SERVICES**

Keystone Financial provides investment consulting services to certain broker/dealers' customers ("Brokerage Customers") who provide written consent requesting to receive the firm's consulting services. Brokerage Customers have entered into a written advisory agreement with Keystone Financial.

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#### **SMA SUB-ADVISOR ("SMA") & THIRD-PARTY MONEY MANAGERS (TPMM)**

Occasionally our firm utilizes the services of a SMA or TPMM for the management of your accounts. Investment advice and trading of securities will only be offered by or through the chosen SMA or TPMM. Our firm will not offer advice on any specific securities or investments in connection with the SMA and TPMM programs. Prior to referring you, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of your accounts. To assist in the selection of a SMA or TPMM, our firm will gather your information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the you at least annually. Our firm will contact you from time to time to review their financial situation and objectives; communicate information to third party money managers as warranted; and assist you in understanding and evaluating the services provided by the SMA or TPMM. You will be expected to notify our firm of any changes in your financial situation, investment objectives, or account restrictions that could affect your financial standing.

Our firm takes actions on behalf of you to hire or fire third party money managers used in the implementation of your investment plan and execution of the Advisory Agreement with our firm.

Therefore, the firm has the discretionary authority to hire or fire the manager or to allocate assets among managers without obtaining your consent.

The services provided by the SMA or TPMM include:

- Assessment of your investment needs and objectives.
- Implementation of an asset allocation.
- Delivery of suitable style allocations (e.g., Large Cap, Small Cap, Growth, Value, etc.).
- Facilitation of portfolio transactions.
- Ongoing monitoring of investment vehicles performance.
- Review of your accounts for adherence to policy guidelines and asset allocation.
- Recommendations for account rebalancing, when necessary.
- Reporting of your portfolio performance and progress.
- Engaging selected investment vehicles on behalf of you.

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#### **PARTICIPANT ACCOUNT MANAGEMENT (DISCRETIONARY)**

We use a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Adviser will review the current account allocations. When deemed necessary, Adviser will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly, and allocation changes will be made as deemed necessary.

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#### **RETIREMENT PLAN SERVICES**

For employer-sponsored retirement plans with participant-directed investments, our firm provides its advisory services as an investment advisor as defined under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

When serving as an ERISA 3(21) investment advisor, the Plan Sponsor and our firm share fiduciary responsibility. The Plan Sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Plan Sponsor Investment Management Agreement between our firm and the Plan Sponsor. Under the 3(21) agreement, our firm provides the following services to the Plan Sponsor:

- Screen investments and make recommendations.
- Monitor the investments and suggests replacement investments when appropriate.
- Provide a quarterly monitoring report.
- Assist the plan sponsor in developing an Investment Policy Statement ("IPS").
- Recommend QDIA alternatives.
- Recommend non-discretionary model portfolios.

We can also be engaged to provide Plan Consulting Services. Plan Consulting Services includes financial education to plan participants, benchmarking the plan services, education to fiduciary committee

members, and monitoring the service provider. The scope of education provided to participants will not constitute “investment advice” within the meaning of ERISA, and participant education will relate to general principles for investing and information about the investment options currently in the plan. We may also participate in initial enrollment meetings and periodic workshops.

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#### **DISCLOSURE REGARDING ROLLOVER RECOMMENDATIONS**

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan’s investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. Our Firm’s Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding the oversight of retirement rollovers and transfers.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

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#### **EDUCATIONAL WORKSHOP**

Keystone Financial provides educational seminar sessions for those individuals who desire information on personal finance and investing. Topics may include issues related to general financial planning, educational funding, estate planning, retirement strategies, implications involving changes in marital status, and various other current economic or investment topics. Our workshops are educational in nature and do not involve the sale of insurance or investment products.

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#### **CONSULTING SERVICES**

We also provide you investment advice on a more-limited basis on one-or-more isolated areas of concern such as divorce planning, estate planning, real estate, retirement planning, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice or any other business advisory / consulting services for equity or debt investments in privately held businesses. In these cases, you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of one of several investment managers, brokers, banks, custodians, insurance companies or other financial professionals (“firms”). You must independently evaluate these firms before opening an account

or transacting business and have the right to effect business through any firm you choose. You have the right to choose whether to follow the consulting advice that we provide.

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#### **WRAP FEE PROGRAMS**

We do not offer a wrap fee program.

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#### **ASSETS**

As of December 31, 2022, our Firm manages \$207,885,178.26 in discretionary assets under management. We do not currently have any non-discretionary assets to report.

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### **ITEM 5 - FEES AND COMPENSATION**

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#### **INVESTMENT MANAGEMENT FEES AND COMPENSATION**

Keystone Financial charges a fee as compensation for providing Investment Management services to your account. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. The custodian may charge custodial fees, transaction costs, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below.

The fees for portfolio management are based on an annual percentage of your assets that we manage. The advisory fees are billed monthly, in arrears, based upon the average daily balance of the account(s). The relevant fee and billing method is defined and agreed to by the firm and you in the executed Investment Advisory Agreement. The initial advisory fee will be based on the average daily balance for the initial partial month your assets are under our management. This fee will be debited directly from your investment account. Fees are assessed on all assets under management, including securities, cash, and money market balances. Margin debit balances do not reduce the value of assets under management.

Fees may vary based on the size of the account, the complexity of the portfolio, the extent of activity in the account or other reasons agreed upon by us and you as the client. Fees will generally follow the schedule of assets under management outlined below. Our minimum annual fee is \$7500 (1.5%), which includes Financial Planning services under a separate agreement. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Our employees and their family related accounts may be charged a reduced fee for our services.

<b>Maximum Annual Advisory Fees %</b>	<b>Market Value of the Advisory Assets</b>
1.5%	Up to \$500k
1.3%	Next \$500k-\$2M
1.15%	Next \$2-5M
0.8%	Next \$5M-10M
0.7%	Next \$10-25M
0.4%	Next \$25-50M
0.3%	Next \$50M-100M
0.25%	Next \$100M+

We will aggregate asset amounts in advisory accounts from your same household together to determine the advisory fee for all your accounts. For example, we may do this where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a reduced advisory fee based on the asset



levels available in our fee schedule. Certain less active accounts may be charged a lower fee and may not be aggregated.

Additional fees and expenses you may incur are brokerage commissions, principal markups and discounts, SEC fees, mutual fund/ETF expense ratios, mutual fund 12B-1 fees, tax withholding on certain foreign securities, postage fees, wire fees, bank charges, and other administration fees as authorized by you. ***Please refer to Section 12 for information on brokerage fees and services.***

When applicable, and noted in Appendix of the Investment Management Agreement, legacy positions will also be excluded from the fee calculation.

The independent and qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. When establishing a relationship with Keystone Financial, you provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a monthly basis, or quarterly if no account activity, indicating all the amounts deducted from the account including our advisory fees. See Item 15 for details. You are encouraged to review your account statements for accuracy.

Either Keystone Financial or you may terminate the management agreement by telephone and confirmed in writing to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given, and any unearned fees will be refunded to you. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of your death or disability, Keystone Financial will continue management of the account until we are notified of your death or disability and given alternative instructions by an authorized party.

In no case are Keystone Financial fees based on, or related to, the performance of your funds or investments.

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## **FINANCIAL PLANNING FEES**

Typically, financial planning is included in our investment management fees for portfolios that meet our minimum requirement listed in Item 7. If only financial planning is requested, fees for financial planning services will vary based on the extent and complexity of your individual or family circumstances, your financial situation, agreed upon deliverables, and whether you intend to implement any recommendations through Keystone Financial. Financial planning services will be offered on an hourly or fixed fee basis. Keystone Financial offers financial planning services on an hourly basis, \$250 to \$350 per hour; or based on a fixed fee basis, generally between \$1,500 - \$15,000.

Typically, we complete and present a plan to you within 120 days of the contract date, if you have provided us all information needed to prepare the financial plan. Your billing method is agreed to in advance of performing services and is agreed to and acknowledged in the Financial Planning Agreement executed by you and our firm. Fees can be paid via check to Keystone Financial or can be invoiced and processed through a third-party nonaffiliated service, AdvicePay. You will be asked to set up your bank account or credit card at AdvicePay to enable credit card or ACH payments. While AdvicePay allows firms like Keystone Financial to receive payments directly from your credit card or bank account, it does not give Keystone Financial access to the bank account itself, nor to any of the client's credit card or bank account information. Keystone Financial is not able to initiate any additional payments via AdvicePay as agreed upon and outlined in the agreement. You may terminate the Financial Planning Agreement by providing us with written notice. In the event you terminate your Financial Planning Agreement before your Plan is delivered, we will bill you for the time spent in preparing your Plan based on an hourly rate not to exceed \$500 per hour. We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

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## **FINANCIAL INSTITUTION CONSULTING SERVICES**

Keystone Financial receives a consulting fee based on the Assets Under Management from Brokerage Customers who have provided written consent to a broker/dealer to receive the investment consulting service from Keystone Financial and have entered into a written advisory contract with Keystone Financial.

The consulting fee shall be based on a percentage of assets under management (AUM) reported by independent systems used by Mutual Securities, Inc. The Advisory Fee shall be calculated by multiplying the AUM as of the end of a calendar quarter period. The maximum advisory fee will not exceed 1% annually. The Advisory Fee shall be paid by Mutual Securities, Inc. to Keystone Financial Services on or before thirty (30) days past the end of a calendar quarter period. The first Advisory Fee shall be paid only after the completion of one full calendar quarter period following the date of the executed agreement between Mutual Securities, Inc., and Keystone Financial Services. This advisory fee is paid by the broker-dealer and is not charged to the client separately.

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## **SMA SUB-ADVISOR ("SMA") & THIRD-PARTY MONEY MANAGER ("TPMM") FEES**

As discussed in Item 4 above, there are occasions where an independent SMA or TPMM acts as a sub-adviser to our firm. In those circumstances, the SMA or TPMM manages the assets based upon the parameters provided by our firm. Under such arrangements where our firm elects to utilize a SMA or TPMM, depending on the SMA and TPMM contract with Keystone Financial, the total advisory fee may be collected from the custodian, by our firm, SMA or the TPMM. This total fee includes our firm's portion of the investment advisory fee as well as the SMA and TPMM fee. Total investment advisory fees including SMA and TPMM fees are not to exceed 2.0%.

A SMA and TPMM relationship may be terminated at the IAR's discretion. Keystone Financial may at any time terminate the relationship with the SMA and TPMM that manages your assets. Keystone Financial will notify you of instances where we have terminated a relationship with any SMA or TPMM you are investing with. Keystone Financial will not conduct ongoing supervisory reviews of the SMA or TPMM following such termination.

Factors involved in the termination of a SMA or TPMM may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the SMA or TPMM, unexplained poor performance, unexplained inconsistency of account performance, or our decision to include the SMA no longer or TPMM on our list of approved SMA's and TPMMs.

Account custodial services may be provided by several account custodians depending on the investment management program offered. Programs may have higher or lower fees than other programs available through Keystone Financial or available elsewhere. Investment management programs may differ in the services provided and method or type of management offered, and each may have different account minimums. Client reports will depend upon the management program selected. Please see complete details in the program brochure and custodial account agreement for each program recommended and offered.

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## **PARTICIPANT ACCOUNT MANAGEMENT SERVICES**

All clients engaging in Participant Account Management Services must engage in a Financial Planning and Consulting Agreement. The fee for Investment Management using the Participant Account Management service will be assessed annually and billed monthly. Specifically, the exact amount charged is determined by the account value of the directly managed held-away accounts, on the day the account is under Keystone Financial's management, and annually thereafter. Investment management fees are generally directly debited on a pro rata basis from client accounts. The exception for this is directly managed held-

away accounts, such as 401(k)s. As it is impossible to directly debit the fees from these accounts, those fees will be assigned to the client's taxable accounts on a pro-rata basis. If the client does not have a taxable account, those fees will be billed directly to the client. An account may be terminated with written or verbal notice at least 15 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

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#### **RETIREMENT PLAN SERVICES**

For Retirement Plan Advisory Services compensation, we charge an advisory fee as negotiated with the Plan Sponsor and as disclosed in the Employer Sponsored Retirement Plans Consulting Agreement ("Plan Sponsor Agreement"). We will bill an advisory fee ranging from 0%-1.5% on your 401(k) plan, or build in a markup with the service provider, a flat advisory fee which we will collect periodically depending on the service provider. The compensation method is explained and agreed upon in advance before any services are rendered and detailed in the agreement.

Typically, the periodicity of these transactions is monthly, every 6 weeks, or quarterly. This fee is generally negotiable, but terms and advisory fee is agreed to in advance and acknowledged by the Plan Sponsor through the Plan Sponsor Agreement. Either party may terminate your management agreement at any time with written notice.

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#### **EDUCATIONAL WORKSHOP FEES**

While certain seminars may be complimentary, workshop participants may be assessed a per-session fee ranging from \$0 to \$5,000. Frequently these sessions will be paid for by the event sponsor, such as an employer or an association. The workshop fee will be announced in advance and will be determined by the length of the event, the number and expertise of the presenters involved, and whether or not educational materials are being provided. Payment will be due in advance of the first session.

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#### **CONSULTING**

Keystone Financial provides consulting services for clients who need advice on a limited scope of work. Keystone Financial will negotiate consulting fees with you based on a fixed or hourly fee. The hourly rate for limited scope engagements is \$250-\$500. Fees, on a fixed or hourly basis, may vary based on the extent and complexity of the consulting project. You will be billed monthly as services are rendered.

Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described above.

You should be aware that lower fees for comparable services may be available from other sources.

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#### **ADMINISTRATIVE SERVICES**

We have contracted with an unaffiliated firm, Orion Technologies ("Orion"), to utilize their technology platform which supports data reconciliation, performance reporting, fee calculation, client relationship maintenance, at least quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion Technologies will have access to client accounts, but Orion will not serve as an investment adviser to our clients. Keystone Financial and Orion are non-affiliated companies. Orion charges our firm an annual fee for each account administered by its software. Please note that the fee charged to the client will not increase due to the annual fee Keystone Financial pays to Orion. The annual fee is paid from the portion of the management fee retained by Keystone Financial.

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#### **ADDITIONAL FEES AND EXPENSES**

In addition to the advisory fees paid to our firm, you will also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively “Financial Institutions”). These additional charges include custodial fees, charges imposed by a mutual fund or ETF in your account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below.

When selecting investments for your portfolio we might choose mutual funds on your account custodian’s Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in your custodian’s NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our firm. When we decide whether to choose a fund from your custodian’s NTF list or not, we consider our expected holding period of the fund, the position size, and the expense ratio of the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

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

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees). Our advisory fee compensation is charged only as disclosed above in Fees and Compensation.

#### **ITEM 7 - TYPES OF CLIENTS**

We provide investment advice to individuals, families, employer sponsored retirement plans, trusts, and broker dealer. As noted in Item 5 above, our minimum annual fee is \$7500 (1.5%), which includes Financial Planning services under a separate agreement.

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

Keystone Financial Services offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. We oversee a consultative process which evaluates your unique needs and preferences and matches those with a strategically and/or tactically managed investment portfolio. Our investment management process includes the due diligence and oversight of a diverse body of research with specifically targeted strategies to meet varying risk/return and tax aware expectations. We believe that successful investment management is a combination of skilled analytics and targeted portfolio guidelines organized around specific outcomes tied to your financial plan. The financial plan is driven by your unique priority matrix and risk tolerance. Risk tolerance is often specific to account type or goal while also being generalized across the financial plan.

Keystone Financial Services prioritizes (but is not exclusive to) investment strategies that are supported by rigorous data analytics and time and industry tested investment strategies. While Keystone Financial Services strongly believes in the power of asset allocation and diversification, we also believe that a tactical approach to the balancing of those diversified asset classes can be useful when possible. When tax efficiency priorities of the client preclude trading activity, those preferences may be prioritized. Keystone generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, and ETFs. Keystone Financial Services may use other securities to help diversify a portfolio when applicable.

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#### **METHOD OF ANALYSIS**

Keystone Financial Services' methods of analysis include, but are not limited to, fundamental analysis, technical analysis, and industry expert analysis.

- **FUNDAMENTAL ANALYSIS** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. UX uses this primarily in stock or bond only portfolios where insight into individual company behaviors is informative.
- **TECHNICAL ANALYSIS** involves the analysis of past market data; primarily price and volume.
- **INDUSTRY EXPERT ANALYSIS** involves the use of analysis by established financial services companies with industry experts that maintain various analytical models and make recommendations based on data that show historic success.

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### **ACTIVELY MANAGED ACCOUNTS**

We choose targeted ETFs and/or individual companies in which to invest according to the analytical results above. Insights from these analytics are prioritized heavily over human perception or preference. Equity accounts may be traded tactically where the portfolios move in and out of market risk exposure based on a technical and/or fundamental analysis of the current market environment. ETF accounts may also include ETFs derived from bond market or other non-stock market indices. Keystone Financial generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

There is no guarantee that a particular strategy will meet its investment goals. The investment strategies we use will vary over time depending on various factors. Keystone Financial may give advice and take action for clients which differs from advice given or the timing or nature of action taken for other clients with different objectives. Keystone Financial is not obligated to initiate transactions for clients in any security which its principals, affiliates or employees may purchase or sell for their own accounts or for other clients.

Clients should be aware that ETFs and mutual funds have unique characteristics, and their cost structures differ, sometimes significantly.

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### **ADVISORY SERVICES TO PLAN PARTICIPANTS OF 401(K) PLANS**

- **GAP ANALYSIS** – In order to generate a target 401(k) withholding rate for a Plan Participant, we utilize a software system that derives this calculation taking into consideration such variables as: Inflation Rate, Growth Assumptions, Current Income, Anticipated Income, Retirement Age, & Current Retirement Savings, Anticipated Social Security Income, and other variables.
- **RETIREMENT ACCOUNT INVESTMENT ALLOCATION** – We will ask you to fill out a short questionnaire designed to quantify your tolerance for investment risk. We will then use your responses to generate a suggested Investment Allocation that you may implement at your discretion.

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### **INDEPENDENT THIRD-PARTY MANAGER SERVICES**

We seek to recommend investment strategies that will give a client a diversified portfolio consistent with the client's investment objective. We do this by analyzing the various securities, investment strategies, and third-party management firms. The goal is to identify a client's risk tolerance, and then find a manager with the maximum expected return for that level of risk.

We examine the experience, expertise, investment philosophies and past performance of independent, third-party managers in an attempt to determine if that manager has demonstrated an ability to invest

over a period of time and in different economic conditions. We monitor the managers' underlying holdings, strategies, concentrations, and leverage as part of our overall periodic risk assessment.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a managers' portfolio, there is also a risk that the manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the managers' daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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## **USE OF ALTERNATIVE INVESTMENTS**

If deemed appropriate for your portfolio, our firm may recommend investments classified as "alternative investments". Alternative investments may include a broad range of underlying assets including, but not limited to, hedge funds, private equity, private real estate, and registered, publicly traded securities. Alternative investments are speculative, not suitable for all clients and intended for only experienced and sophisticated investors who are willing to bear the high risk of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices; lack of liquidity in that there may be no secondary market for the fund and none expected to develop; volatility of returns; potential for restrictions on transferring interest in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority with a single adviser; absence of information regarding valuations and pricing; potential for delays in tax reporting; less regulation and typically higher fees than other investment options such as mutual funds. The SEC requires investors be accredited to invest in these more speculative alternative investments. Investing in a fund that concentrates its investments in a few holdings may involve heightened risk and result in greater price volatility.

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## **RISK OF LOSS**

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

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

**MARKET RISK** - Either the stock market as a whole or the value of an individual company as a result of moves in the overall market goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

**EQUITY (STOCK) MARKET RISK** - Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**COMPANY RISK** - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly

or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**FIXED INCOME RISK** - When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

**OPTIONS RISK** - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

**MARGIN RISK** - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the qualified custodian. The securities purchased in such an account are the qualified custodian's collateral for its loan to you.

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

Some of the risks involved in margin trading include the following:

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

**ETF AND MUTUAL FUND RISK** - When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**TAX HARVESTING RISK** - One trading strategy employed in client accounts is tax harvesting. The intent of this trade is to sell an ETF or mutual fund at a taxable loss and replace those positions with a holding whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to



deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.

**ALTERNATIVE INVESTMENT RISK** - Alternative investments may be recommended in specific circumstances. These investments are susceptible to many of the same risks as other securities, but also include characteristics and risks related to liquidity, transparency, taxes, and fund valuation.

**MANAGEMENT RISK** - Your investment with the firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

As noted previously, the firm may use sub-advisors to manage some or all of certain client's portfolios. The Sub-Advisor will have discretionary authority to buy, sell, exchange, and otherwise trade securities within the client account. The investment strategies of the Sub-Advisor will be disclosed in their Disclosure Brochure (ADV Part 2A).

**CYBERSECURITY RISK** - Cybersecurity risks include both intentional and unintentional events at Keystone Financial or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

## ITEM 9 - DISCIPLINARY INFORMATION

We do not have any legal, financial, or other "disciplinary" item to report.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Clients should be aware that the ability to receive additional compensation by our firm and its management persons or employees creates conflicts of interest that impair the objectivity of the firm and these individuals when making advisory recommendations. Our firm endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

we disclose to clients the existence of all material conflicts of interest, including the potential for the firm and our employees to earn compensation from advisory clients in addition to the firm's advisory fees;

we disclose to clients that they have the right to decide to purchase recommended investment products from our employees;

we collect, maintain and document accurate, complete, and relevant client background information, including the client's financial goals, objectives, and liquidity needs;

the firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client's needs and circumstances;

we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;



we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the firm; and

we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Our firm does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Our firm nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

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#### **FINANCIAL INSTITUTION CONSULTING SERVICES**

Keystone Financial has agreement(s) with broker/dealers to provide investment consulting services to Brokerage Customers. Broker/dealers pay compensation to Keystone Financial for providing investment consulting services to Customers. This consulting arrangement does not include assuming discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities. These consulting services offered to Brokerage Customers may include a general review of Brokerage Customers' investment holdings, which may or may not result in Keystone Financial's investment adviser representative making specific securities recommendations or offering general investment advice. Brokerage Customers will execute a written advisory agreement directly with Keystone Financial. This relationship presents conflicts of interest. Potential conflicts are mitigated by Brokerage Customers consenting to receive investment consulting services from Keystone Financial; by Keystone Financial not accepting or billing for additional compensation on broker/dealers' Assets Under Management beyond the consulting fees disclosed in Item 5 in connection with the investment consulting services; and by Keystone Financial not engaging as, or holding itself out to the public as, a securities broker/dealer. Keystone Financial is not affiliated with any broker/dealer.

#### **ITEM 11 - CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

Keystone Financial and persons associated with us are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any conflicts of interest.

We have developed and implemented a Code of Ethics policy that sets forth standards of conduct expected of our advisory personnel to avoid this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information, and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educating personnel regarding the firm's expectations and laws governing their conduct, reminding personnel that they are in a position of trust and must act with complete propriety at all times, protecting the reputation of Keystone Financial, guarding against violation of the securities laws, and establishing procedures for personnel to follow so that we may determine whether our personnel are complying with the firm's ethical principles.

All advisory personnel are required to report to the firm's Chief Compliance Officer initial and annual holdings and quarterly transactions in reportable securities, as defined in the Code and the Chief Compliance Officer or delegate is responsible for reviewing such reports. The Code also sets forth general standards of conduct and practices to be followed by all personnel to minimize conflicts of interest, including restrictions on gifts to or from brokers, clients and others, restrictions on service on the boards

of other companies, restrictions on participation in investment clubs and policies designed to prevent personal trading conflicts. In addition, the Code (including the firm's Insider Trading Policy Statement) includes provisions designed to prevent and enforce the firm's strict policy against the misuse of material non-public information by all personnel. The firm's Chief Compliance Officer is responsible for the oversight and administration of the Code.

All associated persons sign a letter of acknowledgment that they have read the Personal Trading Policy, fully understand it, and will abide by it at all times while under the employ of Keystone Financial.

We have established the following restrictions in order to ensure our fiduciary responsibilities to you are met:

- A director, officer, or employee of Keystone Financial shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer, or employee of Keystone Financial shall prefer his or her own interest to that of the advisory client.
- We maintain a list of all securities holdings for anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Keystone Financial.
- We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

You may request a complete copy of our Code by contacting us at the address, telephone, or email on the cover page of this Part 2; Attn.: Chief Compliance Officer.

## **ITEM 12 - BROKERAGE PRACTICES**

We generally recommend that clients utilize the custody and brokerage services of Fidelity Institutional Wealth Services, and Charles Schwab & Co., Inc., "Schwab", (the "Custodians") for investment management accounts. In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at one of these custodians. You have the right to not act upon any recommendations, and if you elect to act upon any recommendations, you have the right to not place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability, and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

We are independently owned and operated and not affiliated with these custodians. They provide us with access to their institutional trading and custody services. These services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors.

We place trades for your account subject to our duty to seek best execution and other fiduciary duties. The custodian's execution quality may be different than other broker-dealers.

For our client accounts maintained in custody with a custodian, the custodian generally does not charge separately for custody but are compensated by account holders through 12b-1 fees and ticket charges.

The custodians we utilize makes available to us other products and services that benefit us but may not benefit your accounts in every case. Some of these other products and services assist us in managing and administering your accounts. These include software and technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from your account, and assist with back-office functions, record-keeping, and reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. The custodians also make available to us other services intended to help us manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the custodians may make available, arrange and/or pay for these services rendered to us by third parties. The custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us.

While as a fiduciary, we endeavor to act in your best interest, our recommendation that you maintain your assets in accounts at our recommended custodians may be based in part on the benefit to us or the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a conflict of interest. IARs endeavor at all times to put the interest of our clients first as a part of their fiduciary duty.

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

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#### **AGGREGATION AND ALLOCATION OF TRANSACTIONS**

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day. We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

- Our policy for the aggregation of transactions shall be fully disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed;
- We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
- No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;

- We will prepare a written statement (“Allocation Statement”) specifying the participating client accounts and how to allocate the order among those clients;
- If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade’s positions should be “first in line” to receive the next allocation.
- Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer or delegate. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
- We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- Individual advice and treatment will be accorded to each advisory client.

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#### **BROKERAGE FOR CLIENT REFERRALS**

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

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#### **TRADE ERRORS**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole, and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian, the custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity by the custodian. Our firm will never benefit or profit from trade errors.

### **ITEM 13 - REVIEW OF ACCOUNTS**

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#### **ACCOUNT REVIEWS AND REVIEWERS – INVESTMENT SUPERVISORY SERVICES**

The underlying securities within the investment supervisory services are monitored at least quarterly. These reviews will be made by Joshua Nelson and/or Jeremy Busch. Client meetings are typically held annually and are usually conducted in person, by video conferencing, or by telephone.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances.

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#### **STATEMENTS AND REPORTS**

The custodian for the individual client's account will provide clients with an account statement at least quarterly. Upon request, clients can receive a prepared written report detailing their current positions, asset allocation, and year-to-date performance provided by our firm.

You are urged to compare the reports provided by Keystone Financial against the account statements you receive directly from your account custodian.

- *Selection and Monitoring of Third-Party Managed Accounts* – If you have an account with us that is managed by a third-party manager, we review your account holdings periodically to insure that your account remains within reasonable variances of the asset allocation targets and investment models in place.
- *Financial Planning Services* – Your review will be conducted by your assigned investment Adviser. We realize that events and circumstances could change dramatically in between normal reviews. Therefore, if you experience an event in your life that might necessitate an early review of your Financial Plan, please let us know and we will be happy to schedule a more frequent review. Such an event might include a marriage, divorce, birth of a child, death or disability of an immediate family member, impending retirement, employment status, or you bought or sold a business. We also encourage you to ask us if you have any questions about your Financial Plan or the reports that we generate.
- *Advisory Services to ERISA Qualified Plans* – Under normal circumstances, our regular practice is to review your retirement plan quarterly and generate written reports and written suggestions of fund replacements for your review and consideration conducted by one of our Investment Adviser Representatives. These written performance reports may be generated less frequently, (semi-annually or annually) at your request.

#### ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

As referenced in Item 12 above, we may receive an indirect economic benefit from Fidelity Institutional Wealth Services and Charles Schwab and Co., Inc, "Schwab". Keystone Financial, without cost (and/or at a discount), may receive support services and/or products from Fidelity Institutional Wealth Services and Schwab (or another broker-dealer/custodian, investment manager, platform, or fund sponsor).

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing-expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

#### LEAD GENERATION

Our Firm pays a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program, which is operated by SmartVestor, provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the size of the person's portfolio, and the fee is payable regardless of whether the prospect becomes our advisory client.

#### PROFESSIONAL REFERRALS

Our Firm may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to our Firm. Again, our Firm does not pay any direct compensation in return for any referrals made to our Firm. Our Firm does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

## **ITEM 15 - CUSTODY**

We do not have physical custody, as it applies to investment advisors. Custody has been defined by regulators as having access or control over client funds and/or securities.

### **DEDUCTION OF ADVISORY FEES**

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients, or an independent representative of the client, will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address, and the way the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from Keystone Financial. When you have questions about your account statements, you should contact Keystone Financial or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

### **STANDING LETTERS OF AUTHORIZATION ("SLOA")**

Our Firm is deemed to have custody of clients' funds or securities when you have standing authorizations with their custodian to move money from your account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect your assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least monthly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Adviser or the qualified custodian preparing the statement.

## **ITEM 16 - INVESTMENT DISCRETION**

We have authority to supervise and direct on an ongoing basis your investments in accordance with your investment objectives and guidelines or your written Investment Policy Statement. We can without prior consultation with you: (1) buy, sell, exchange, and otherwise trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing (as written in our Investment Advisory Agreement).

We shall employ broker dealers and markets as is prudent for your account. We will not, however, employ a broker dealer affiliated with us without first disclosing the affiliation to you and obtaining your written

consent, we shall not be liable for any act or omission of any broker dealer (other than an affiliated broker dealer employed with your written consent).

The limitations on investment and brokerage discretion held by Keystone Financial for you are:

For discretionary clients, we require that it be provided with authority to determine which securities and the amounts of securities to be bought or sold.

Any limitations on this discretionary authority shall be included in the investment advisory agreement. You may change/amend these limitations as required. Such amendments shall be submitted in writing.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### **PROXY VOTING**

We will not vote proxies under our limited discretionary authority. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Should you have any questions about a particular solicitation, please contact our firm.

### **CLASS ACTION SUITS**

A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. With respect to class action suits and claims, you (or your agent) will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you or your agents.

## **ITEM 18 – FINANCIAL INFORMATION**

We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.