

# **COASTAL INVESTMENT ADVISORS**

## **Coastal Wrap Fee Program Brochure**

1201 N. Orange Street, Suite 729, Wilmington DE 19801

888-657-5200

[www.coastal-one.com](http://www.coastal-one.com)

March 18, 2015

**This Wrap Fee brochure provides clients with information about the qualifications and business practices of Coastal Investment Advisors. If you have any questions about the contents of this brochure, please contact us at 888-657-5200. 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.**

**Coastal Investment Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.**

**Additional information about Coastal Investment Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amended the rules pertaining to the disclosure documents that advisers provide to clients as required by SEC Rules. This brochure is prepared according to the SEC’s amended rules. This section summarizes specific material changes that have been made to the brochure.

Pursuant to the amended SEC Rules, within 120 days of the close of our firm’s fiscal year (December 31<sup>st</sup>) we will deliver either:

1. a copy of the current (updated) Brochure that includes or is accompanied by the summary of material changes, or
2. a summary of material changes that includes an offer to provide a copy of the current (updated) Brochure.

We may further provide other ongoing disclosure information about material changes as necessary as well as provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting your Investment Advisor Representative or our Compliance Department at [compliance@coastal-one.com](mailto:compliance@coastal-one.com).

Additional information about Coastal is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Coastal who are registered, or are required to be registered, as investment adviser representatives of Coastal.

### ***Material Changes Since the Last Update***

This wrap fee brochure supplement by Coastal Investment Advisors dated March 18, 2015 is a new document and therefore no material changes are reported.

## Table of Contents

Material Changes.....	2
<i>Material Changes Since the Last Update .....</i>	<i>2</i>
Table of Contents .....	3
Services, Fees and Compensation.....	4
<i>Advisory Services .....</i>	<i>4</i>
<i>Execution of Trades .....</i>	<i>4</i>
<i>Custody.....</i>	<i>5</i>
<i>Fees and Compensation .....</i>	<i>5</i>
<i>Comparison Cost of Service .....</i>	<i>7</i>
Account Requirements and Types of Clients.....	7
<i>Account Requirements.....</i>	<i>7</i>
<i>Types of Clients.....</i>	<i>7</i>
Portfolio Manager Selection and Evaluation .....	7
<i>Individual Needs of Clients and Restrictions.....</i>	<i>7</i>
<i>Other Types of Accounts .....</i>	<i>7</i>
<i>No Performance-based Fees.....</i>	<i>7</i>
<i>Methods of Analysis, Investment Strategies and Risk.....</i>	<i>7</i>
<i>Voting Client Securities.....</i>	<i>7</i>
Client Information Provided to Portfolio Managers.....	8
Client Contact with Portfolio Managers .....	8
Additional Information.....	8
<i>Disciplinary Information .....</i>	<i>8</i>
<i>Other Financial Industry Activities and Affiliations.....</i>	<i>8</i>
<i>Code of Ethics .....</i>	<i>9</i>
<i>Interest in Client Transactions and Personal Trading .....</i>	<i>9</i>
<i>Review of Accounts.....</i>	<i>10</i>
<i>Client Referrals and Other Compensation .....</i>	<i>10</i>
<i>Financial Information .....</i>	<i>11</i>
<i>Privacy Policy.....</i>	<i>11</i>

## Services, Fees and Compensation

**Client should read and consider the information contained in this brochure.**

**There is no assurance that the objectives of any client will be achieved.**

### *Advisory Services*

Coastal Investment Advisors (“Coastal”) is registered as an investment adviser and is also affiliated with Coastal Equities, Inc., a broker-dealer. Each client has an Investment Adviser Representative (“IAR”). The IAR is an advisory representative of Coastal or is an advisory representative of an independently registered investment adviser.

If your IAR is a Coastal IAR, Coastal is providing advisory services to you in addition to brokerage and program services, as described in this brochure. If your IAR is acting as a representative of an independently registered investment adviser, that independently registered investment adviser is providing advisory services to you, and you will receive a disclosure brochure from that firm. For the purposes of this document, the term “Advisory Firm” refers to either Coastal or the independently registered investment adviser whichever is providing advisory services to you.

Clients who wish to participate in the Coastal Wrap Fee Program (“Program”) generally enter into a Coastal Wrap Fee Program agreement (“Agreement”). The Agreement will set forth which Advisory Firm is providing consulting services to you.

Clients inform their Investment Adviser Representatives of the investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment through the Program. Based on this information, the IAR may provide advice and/or manage client accounts by purchasing and/or selling stocks, bonds, mutual funds, exchange-traded funds (ETFs), options, and Variable Annuity (VA) sub-accounts, among others. IARs generally manage the accounts in the Program on a non-discretionary basis. This means that they will purchase or sell securities for accounts only as authorized by the client. Under certain circumstances, a client may grant the IAR discretionary trading authority over an account. This means that the IAR will buy and sell securities without consulting the client in advance.

Any restrictions on the management of an account imposed by a client may cause the IAR to deviate from the investment decisions or recommendations that the IAR would otherwise make with respect to the account.

### *Execution of Trades*

Coastal Equities, Inc. will generally act as broker-dealer.

### ***Custody***

An unaffiliated entity acts as custodian for Coastal accounts. The custodian is named in the client's agreement with the Advisory Firm, as applicable. In most cases First Clearing, LLC ("FC") will act as custodian.

### ***Fees and Compensation***

The client pays a monthly or quarterly Wrap Fee which is calculated based on a percentage of the value of the client's account.

The maximum annual Wrap Fee rates are:

Portfolio Value		Annual Wrap Fee Rate
\$25,000	— \$250,000	2.75%
\$250,001	— \$750,000	2.25%
\$750,001+		2.00%

The Wrap Fee rate may be either a flat annual fee rate (for example, a maximum rate of 2.00%) or will be a blended rate, using two or more of the rate tiers set forth above. A blended rate is calculated by charging a lower rate on the assets above the designated tiers. The rates are subject to negotiation between the IAR and each client. The Wrap Fee is negotiable based on a variety of factors, such as size and type of account, complexity, range of services utilized, etc.

Regardless of the actual monthly or quarterly Wrap Fee rate or the value of the assets in the accounts, the minimum fee charged to accounts in the Program each quarter will generally be \$180. The imposition of the minimum fee may cause the effective Wrap Fee rate (expressed as a percentage) to be greater than the fee rates specified in the client's Agreement.

Either party at any time, and upon written notice, may terminate the Agreement and a pro rata portion of any Wrap Fee paid by the client in advance will be remitted to the client based on the number of days left in the quarter, following receipt of the notice of termination by Coastal.

The Wrap Fee covers the advisory services provided by the Investment Adviser Representatives, execution of transactions through Coastal, and custodial services provided by FC (unless otherwise agreed between the custodian and the client).

The Wrap Fee does not cover:

Certain Performance Reporting Fees. The IAR may provide certain clients with quarterly performance reports and may charge a quarterly fee for these reports in addition to the Wrap Fee. The IAR will provide clients to be charged this fee with additional information about the fee, including the amount.

Other broker-dealer and custodian fees, costs and compensation. Other costs that may be assessed by broker-dealers or the custodian and that are not included in the Wrap Fee include: fees for transactions executed away from Coastal, dealer mark-ups and spreads paid to market-makers. The Management Fee also does not cover debit balances or related margin interest, "mark-ups" and "mark-downs" or "dealer spreads" that broker-dealers (including broker dealer affiliates) may receive when acting as principal

in certain transactions, brokerage commission or other charges resulting from transactions not effected through Coastal. The Management Fee also does not cover costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, extensions, non-sufficient funds, mailgrams, legal transfers, bank wire charges, postage fees or SEC fees or other fees or taxes required by law.

Variable annuity companies generally impose internal fees and expenses on client variable annuity expenses, including contingent deferred sales charges and early redemption fees. These fees are in addition to the advisory fees and expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

Coastal, through Coastal Equities, Inc., its affiliated broker-dealer, may charge the client certain additional and/or minimum fees. In addition to the Program Fee, each mutual fund or ETF in which clients may invest also bears its own investment advisory fees and other expenses. The mutual funds available through Coastal may be available directly from the funds pursuant to the terms of their prospectuses and without paying the Wrap Fee or Manager fee.

Exchange-traded funds are also available outside of Coastal without paying the Wrap Fee or Manager fee, subject to applicable commissions and/or transaction charges. Further, to the extent that cash used for investment comes from redemptions of a client's mutual fund or other investments outside of the Program, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Wrap Fee on those assets.

Additional expenses associated with the specific underlying investment funds such as, redemption fees may apply. Certain mutual funds used in the Program may charge a redemption fee if shares are redeemed within a specified period of time. Clients may incur redemption fees in the event that a sell is executed or model update is implemented. Redemption fees vary by fund and are described in each fund's prospectus.

Investment Adviser Representatives may also actively trade option contracts or on margin for client's accounts, which could result in a high portfolio turnover ratio. Additionally, the use of margin may also result in interest charges as well as all other fees and expenses associated with the security or account involved.

Coastal may receive distribution or service ("trail") fees from the sale of certain mutual funds (including money market funds), pursuant to a 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services. Coastal may also receive marketing allowances and other revenue sharing payments from the sale of limited partnerships, real estate investment trusts (REITs), business development companies and other products on our platform as compensation for distribution or administrative services. These fees may be negotiated by Coastal and are distributed from the fund's total assets or charged to the client as a portion of internal expenses by the product sponsor. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund's prospectus or a product's offering documents. Coastal may also participate in revenue sharing arrangements based on fees charged on certain mutual funds available on various custodial platforms. These revenue sharing payments could potentially lead an Investment Adviser Representative to focus more on products offered by firms that make revenue sharing payments to Coastal than those firms that do not make such payments when recommending services to their clients. In addition, Coastal receives

compensation in connection with cash held in the account. In addition to the advisory fee, Coastal receives additional compensation from the custodian based on the value of credit balances in the accounts. If cash is swept into a money market fund, Coastal receives compensation based on the value of assets in these funds as broker-dealer. Thus, Coastal has an incentive to recommend that client select a money market fund as a sweep vehicle that pays more compensation to Coastal than other funds. These payments are not retained where prohibited by law.

### ***Comparison Cost of Service***

The Wrap Fee may cost clients more or less than purchasing services separately depending on the frequency of trading in the accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other broker-dealers and other factors. Among the factors impacting the relative cost of the program to a particular client include the size of the account, the type of account (i.e., equity or fixed income), and the size of the assets devoted to a particular strategy.

Investment Adviser Representatives receive a portion of the total Wrap Fee charged per the client's Coastal Agreement. This compensation may be more or less than what the IAR would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services. The IARs may therefore have a financial incentive to recommend the Coastal Program over other programs or services.

## **Account Requirements and Types of Clients**

### ***Account Requirements***

Coastal does not impose an account minimum; however, accounts in the program generally have over \$100,000 in assets.

### ***Types of Clients***

The Coastal Program is designed to assist clients, both individuals and institutions (such as pension and profit sharing plans, trusts, estates, charitable organizations, and corporations).

## **Portfolio Manager Selection and Evaluation**

IARs are the only portfolio managers available through the Coastal Program. Clients select the IARs.

### ***Individual Needs of Clients and Restrictions***

IARs tailor their advisory services to the individual needs of the client. Clients inform their IARs of their investment objectives, risk tolerance, and investment time horizon and give their IARs any applicable investment policies, guidelines, or reasonable restrictions. Clients may impose reasonable restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. Any restrictions imposed by a client may cause the IAR to make different recommendations than he or she would in the absence of such restrictions. Thus, the account may not perform as well.

### ***No Performance-based Fees***

Neither Coastal nor any IARs accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Client Information Provided to Portfolio Managers

As described in “Services, Fees and Compensation” above, clients inform their Investment Adviser Representatives of their investment objectives, risk tolerance, and investment time horizon and give their representative any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, the Investment Adviser Representatives provide investment recommendations and/or manage client accounts.

Clients should promptly inform their Investment Adviser Representative of material changes in their financial circumstances or investment objectives. The IAR will periodically discuss, at least once a year, whether the management of the account continues to reflect the investment objectives and financial requirements of the client.

## Client Contact with Portfolio Managers

Clients are free to contact IARs for questions or consultation in regards to their accounts. There are no restrictions placed on clients’ ability to contact and consult with IARs.

## Additional Information

### *Disciplinary Information*

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of their management. The following information pertains to Coastal. Other Advisory Firms will provide any relevant information about them in their separate disclosure documents.

Coastal has no disciplinary information which must be disclosed at this time.

### *Other Financial Industry Activities and Affiliations*

Coastal Equities, Inc. ("CEI") is a full service registered broker-dealer. In this capacity, Coastal is involved in the purchase and sale of various types of securities, including, but not limited to, stocks, bonds, mutual funds and government securities. More information about CEI is set forth below. Coastal Investment Advisors ("CIA") is a New Jersey Corporation, and a registered Investment Advisor. Information about other Advisory Firms is set forth in their separate disclosure documents.

Both Coastal Equities Inc and Coastal Investment Advisors are wholly owned subsidiaries of Orange Street Holdings, Inc. ("OSHI").

Other companies that are owned by OSHI and thus affiliated with Coastal are:

Coastal Risk Advisors, LLC	100% owned by OSHI
Coastal Equities Insurance Agency, Inc.	100% owned by OSHI
Coastal Insurance Consultants, LLC	50% owned by OSHI



Certain IARs are licensed to sell life and annuity insurance products through Coastal Equities Insurance Agency, Inc. (a wholly owned subsidiary of OSHI), and various other companies. Coastal Equities Insurance Agency, Inc., as well as the appropriately licensed (IAR), will receive compensation for the sale of such products. CIA may recommend the purchase of insurance products in CIA accounts. Clients are under no obligation to purchase insurance products through any particular insurance agency or representative.

### *Code of Ethics*

Coastal has adopted a Code of Ethics for all supervised persons of the firm describing our high standard of business conduct, and fiduciary duty to our clients. All supervised persons at Coastal must acknowledge the terms of the Code of Ethics and personal securities transactions and holdings annually, or as amended.

The Code of Ethics is enforced through compliance monitoring activities and surveillance. In cases where the firm discovers that an employee has violated a firm policy and/or procedure, the firm's code of business conduct or code of ethics, a state or federal law, regulation of FINRA, the SEC, or other regulatory agency, the Compliance Department will take appropriate steps to investigate the circumstances and will take action commensurate with the manner of the violation. Such actions could take the form of a written warning to the employee in conjunction with the firm's Legal Department, or be as serious as disciplinary action up to and including termination. Any such investigations will be brought to the appropriate regulator's attention, if necessary, which may result in a disclosure of the violation on the employee's U-4 form, if required.

Coastal Code of Ethics Rules are designed to ensure that our personnel: a) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; b) at all times place the interests of Coastal clients first; c) disclose all actual or potential conflicts; d) adhere to the highest standards of loyalty, candor and care in all matters relating to Coastal clients; e) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and f) not use any material non-public information in securities trading. The Code of Ethics also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of these rules, Coastal personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of these rules.

Coastal personnel are required to conduct their personal investment activities in a manner that is not detrimental to Coastal advisory clients. They are not permitted to transact in securities except under circumstances specified in the Code of Ethics. However, as described below, there may be circumstances where Coastal Investment Advisor Representatives may buy and sell on behalf of its clients, securities of issuers or other investments in which they own securities or otherwise have an interest. The policy requires all personnel, which includes portfolio managers, assistant portfolio managers, research analysts and trading room personnel, officers of Coastal, and other designated persons to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. The Ethics Rules are available to clients and prospective clients from Coastal upon request.

### *Interest in Client Transactions and Personal Trading*

Investment Adviser Representatives may buy or sell for their own accounts, securities that are also held by

their clients. Such transactions are permitted if in compliance with Coastal policy on personal securities transactions. Reports of personal transactions in securities by Coastal Investment Adviser Representatives are reviewed by Coastal's Compliance department periodically in accordance with its policies and procedures.

### ***Review of Accounts***

Coastal may conduct reviews on client's accounts. Accounts are primarily reviewed by the client's Investment Adviser Representative. In addition, Coastal's compliance program includes the periodic review of a sample of customer accounts for consistency with a client's risk tolerance, investment time horizon, performance objectives, and asset allocation instructions.

Clients are provided with monthly or quarterly account statements from the custodian, depending on the activity in the account. Reports include details of client holdings, asset allocation, and other transaction information.

Clients who also receive account reviews from Investment Adviser Representatives are strongly encouraged to compare them to the account statements they receive from the custodian. The account statements received from the qualified custodian are the official statement of the accounts. Any account information provided by IARs is for informational purposes only.

Coastal or Investment Adviser Representative may provide clients with quarterly performance reviews of Coastal accounts, for which the client may be charged a fee in addition to the Wrap Fee, as set forth in "Fees and Compensation" above. Coastal or Investment Adviser Representative do not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income tax returns. Upon a client's specific request and subject to the relevant firm's policies and procedures and applicable law, the performance review may include information about assets outside the program. By including any such assets in the performance review, the firm is not undertaking to provide or responsible for providing any services with respect to those assets.

### ***Client Referrals and Other Compensation***

Coastal may receive solicitors' (referral) fees based on a written agreement from unrelated investment adviser firms for referring clients for financial planning and/or investment advisory services. A disclosure letter will be provided to the client prior to or at the time of entering into any solicitation arrangement for financial planning and/or investment advisory services that identifies the solicitation fee. The solicitor's fee does not increase the fees paid by the client. In addition, fixed income transactions executed through some third-party managers are generally charged a mark-up or mark-down and a percentage of this charge is shared with our firm.

As set forth in "Fees and Compensation" above, Coastal and the IARs in their capacity as registered representatives of Coastal, may receive compensation from third parties in connection with trades executed for investments held in advisory accounts.

Certain mutual fund issuers and product sponsors may sponsor and pay for client luncheons, or other events, that Coastal's IARs host. These arrangements may give rise to conflicts of interest, or perceived conflicts of interest, with the firm's clients in connection with IAR recommendation of certain investment products. However, Coastal's commitment to its clients and the policies and procedures it has adopted are designed to limit any interference with Coastal's independent decision-making process when choosing the best investment for our clients.

Additionally, we receive additional compensation from First Clearing, LLC (“First Clearing”), which serves as our Custodian for assets held in customer accounts. More specifically, First Clearing has agreed to pay us a fee when it acts as Custodian for certain assets, including certain mutual funds. Coastal receives additional compensation – from First Clearing, not from our clients – over and above the asset management fee we receive from our clients when such mutual funds are included in our portfolios, and such mutual funds are custodied at First Clearing. This arrangement may, in theory, give rise to conflicts of interest, or perceived conflicts of interest, as Coastal would receive more compensation by recommending, or investing in, funds for clients that are custodied at First Clearing. Clients should be aware, therefore, that Coastal’s receipt of additional compensation from First Clearing under this scenario creates a potential conflict of interest since this benefit could influence Coastal’s choice of (1) First Clearing over other custodians that do not furnish similar benefits and (2) non-First Clearing platformed mutual funds over other mutual funds not covered by this arrangement with First Clearing. However, Coastal’s commitment to its clients and the policies and procedures it has adopted are designed to limit any interference with Coastal’s independent decision-making process when choosing the most appropriate investments or custodian for our clients. In addition, as noted above, this additional compensation does not represent additional fees from your accounts to us; they are paid by First Clearing.

### ***Financial Information***

Coastal has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### ***Privacy Policy***

Your privacy is important to us. While information is the foundation of our business, our most important asset is your trust.

#### **SEC PRIVACY RULES:**

I. Gramm-Leach-Bliley Act requires us:

- a. To provide notice to clients describing our privacy policies and practices
- b. To not disclose any nonpublic personal information to non-affiliated third parties unless you have a reasonable opportunity (to “opt-out”)
- c. To adopt procedures to safeguard your privacy

This notice applies to individuals (not businesses or corporations) and to former clients. It will be distributed to clients upon the opening of an account and an annual notice will be distributed to clients as part of Donnelly Steen & Company’s annual portfolio appraisal.

### ***COASTAL INVESTMENT ADVISORS PRIVACY RULES***

I. Policies and Practices

- a. We safeguard, according to strict standards of security and confidentiality any information you share with us.

b. We limit the collection and use of your information to the minimum we require to deliver superior service to you to administer our business, which includes advising you about our products, services, and other opportunities.

c. We permit only authorized employees, who are trained in the proper handling of customer information, to have access to that information. Employees who violate our privacy standards will be subject to our normal disciplinary process.

d. We will not reveal customer information to any external organization unless we have previously informed you in disclosures or agreements, have been authorized by you, or are required to make such disclosure by law or by our regulators.

## II. Nonpublic personal information we may disclose subject to your option to “Opt-Out”

a. Information we receive from you on applications or other forms, such as your name, address, and telephone number.

b. Information about your transactions with us, our affiliates, or non-affiliated third parties, such as your account balances, payment history, and account activity.

c. Information we receive about you from other sources, such as your employer and other third parties.

## III. We do not disclose any nonpublic personal information listed in Part II above about you or our former clients, except to non-affiliate third-party companies who provide us services or as permitted by law or by our regulators.

a. Custodial brokers

b. Computer service companies

c. Portfolio systems software companies

d. General administrative service companies which are required to agree to secure the privacy of your nonpublic information that we share with them that is essential to our business.

## IV. If we intend to disclose non-public personal information such as that set forth in Part II to persons other than those set forth in Part III, we will notify you in advance and give you the opportunity to “Opt-Out” of such disclosure.