

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Coastal Partners. If you have any questions about the contents of this brochure, please contact us at: 301-926-7457, or by email at: coastalpartners@comcast.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

March 31, 2010

# Material Changes

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## **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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## **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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## **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 301-926-7457 or by email at: [coastalpartners@comcast.net](mailto:coastalpartners@comcast.net).

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# Advisory Business

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## Firm Description

Coastal Partners is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is provided, with the client making the final decision on client assets. The client always maintains asset control. Coastal Partners places trades for clients under a limited power of attorney.

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## Principal Owners

Robert Henrich is a 100% stockholder.

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## Types of Advisory Services

Coastal Partners provides investment supervisory services, also known as asset management services

As of 3/31/11, Coastal Partners manages approximately \$4 Million in assets for approximately 2 clients. Approximately \$4 Million is managed on a discretionary basis, and \$0 is managed on a non-discretionary basis.

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## Advisory Service Agreement

Most clients choose to have Coastal Partners manage their assets in order to obtain ongoing in-depth advice

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

2% of assets under management

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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## Asset Management

Assets are invested primarily in exchange-traded funds, usually through discount brokers or fund companies. Stocks and bonds may be purchased or

sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Coastal Partners does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through Coastal Partners.

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**Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying Coastal Partners in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Coastal Partners will refund any unearned portion of the advance payment.

Coastal Partners may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, Coastal Partners will refund any unearned portion of the advance payment.

## **Fees and Compensation**

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**Description**

Coastal Partners bases its fees on a percentage of assets under management,

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**Fee Billing**

Investment management fees are billed quarterly, in *ARREARS*, meaning that we invoice you *AFTER* the three-month billing period has *ENDED*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

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**Past Due Accounts and Termination of Agreement**

Coastal Partners reserves the right to stop work on any account that is more than 30 days overdue.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

*Some advisors offer performance fees as an alternative. This is an optional method to clients who meet the advisor's and SEC qualifications. For those that do, and that elect this fee alternative, the fee is generally a percentage of the profits earned, sometimes only after a certain minimum return has been achieved. Clients should review the pertinent fee agreement for more specifics about how this fee is charged.*

## **Types of Clients**

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**Description**

Coastal Partners generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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**Account Minimums**

The minimum account size is \$250,000 of assets under management, which equates to an annual fee of \$5000.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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**Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

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**Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and exchange-traded funds as the core



investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

Coastal Partners is registered as a commodity pool operator and commodity trading advisor.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

The employees of Coastal partners have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

Coastal Partners and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Coastal Partners *Compliance Manual*.

### **Personal Trading**

The Chief Compliance Officer of Coastal Partners is Robert Henrich. He reviews all employee trades each quarter. His trades are reviewed by Richard Russian. The personal trading reviews ensure that the personal

trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Brokerage Practices

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### Selecting Brokerage Firms

Coastal Partners does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Coastal Partners recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Coastal Partners *DOES NOT* receive fees or commissions from any of these arrangements.

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### Best Execution

Coastal Partners reviews the execution of trades at each custodian each quarter. The review is documented in the Coastal Partners *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. Coastal Partners does not receive any portion of the trading fees.

## Review of Accounts

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### Periodic Reviews

Account reviews are performed quarterly by advisor Richard Russian, Managing Director. Account reviews are performed more frequently when market conditions dictate.

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### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### Regular Reports

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. *Investment Management* clients, receive written quarterly updates. The written updates may include a net worth statement or portfolio statement,

## Client Referrals and Other Compensation

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### **Incoming Referrals**

Coastal Partners has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

## Custody

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Coastal Partners.

## Investment Discretion

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### **Discretionary Authority for Trading**

Coastal Partners accepts discretionary authority to manage securities accounts on behalf of clients. Coastal Partners has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used and the commission rates paid to the custodian. Coastal Partners does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## Voting Client Securities

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### Proxy Votes

Coastal Partners does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Coastal Partners will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## Financial Information

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### Financial Condition

Coastal Partners does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Coastal Partners does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Business Continuity Plan

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### General

Coastal Partners has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

# Information Security Program

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## Information Security

Coastal Partners maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

Coastal Partners is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

Coastal Partners requires that advisors in its employ have a bachelor's degree. Additionally, advisors must have work experience that demonstrates their aptitude for investment management.

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### Robert Henrich, CERTIFICATIONS

Educational Background:

- University of Maryland, BS, Geology 1975:
- Florida Inst of Technology, MBA, 1977.

Business Experience:

- First VP EF Hutton 1979-1990
- First VP Paine Webber 1990-1993
- Managing Director, Beacon Global 1993-2006

Other Business Activities: None

Additional Compensation: None

Supervision:

Robert Henrich is supervised by Richard Russian. He reviews Robert Henrich's work through frequent office interactions as well as remote interactions. He also reviews Robert henrich's activities through our client relationship management system.

SUPERVISOR'S contact information:

PHONE 775-852-2242

EMAIL [russian@charter.net](mailto:russian@charter.net)

Bankruptcy Petition: None

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### Richard Russian, CERTIFICATIONS

Educational Background:

- California State University, BS Marketing: .

Business Experience:

- Sr. VP EF Hutton 1968-1991
- Sr. VP Prudential 1991-1995
- VP Morgan Stanley 1995-1999
- Sr. Sales Pertrac 1999-2008

Additional Compensation: None

Supervision:

Richard Russian is supervised by Robert Henrich. He reviews Richard's work through frequent office interactions as well as remote interactions. He also reviews Richard's activities through our client relationship management system.

SUPERVISOR'S contact information:

PHONE 301-926-7457

EMAIL rob@lhpltd.com

Bankruptcy Petition: None