

**Part 2A of Form ADV Firm Brochure**

January 2, 2019



**Golden State Asset Management, LLC**

SEC CRD No. 299649

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This brochure provides information about the qualifications and business practices of Golden State Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 866-273-1563 or via email to Patrick Catone at [Patrick@TeamGoldenState.com](mailto:Patrick@TeamGoldenState.com). The information in this brochure has not been approved or verified by any state securities authority. Registration state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Golden State Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: MATERIAL CHANGES**

Golden State Asset Management, LLC submitted its initial registration with the Securities Exchange Commission to become registered as an investment adviser in January of 2019.

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes.

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## ITEM 4: ADVISORY BUSINESS

### A. GOLDEN STATE ASSET MANAGEMENT, LLC

Golden State Asset Management, LLC (“GSAM” and/or “the firm”) is an investment adviser registered under the Investment Advisers Act of 1940. GSAM was formed as a Wyoming limited liability company in 2018, and is an affiliate of Golden State Wealth Management, LLC and Golden State Equity Partners, LLC. Daniel Catone, Patrick Catone, Kyle Fairall, and John Nahas are the owners and managing members of GSAM. See Item 10 of this document for an additional discussion concerning the firm’s affiliates.

Golden State Asset Management, LLC’s sole office is located at 201 E Sandpointe Ave., Suite 460 South Coast Metro, CA 92707.

### B. TYPES OF ADVISORY SERVICES OFFERED

As discussed below, GSAM provides discretionary portfolio management and investment services to the clients of investment advisors. Typically, this means that GSAM implements its strategy directly by placing trades in the client’s separate account.

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#### B.1. SUB-ADVISORY SERVICES

GSAM provides discretionary sub-advisory services to investment advisors. When providing such services, GSAM will enter into a separate, written sub-advisory agreement with each advisor. Subject to GSAM’s written approval, the client may be able to place a variety of restrictions on GSAM’s discretionary investment activity, including restrictions on the term of investments, the types of securities permitted, the credit ratings allowed, and the liquidity of the account. Clients may change these restrictions upon written notice to GSAM and such changes are only effective once acknowledged in writing by GSAM.

In providing sub-advisory services to its clients, GSAM employs various proprietary investment strategies (“Investment Strategies”) for the portfolios over which it has been delegated discretionary authority (each, a “Portfolio”). GSAM works with each client to determine which Investment Strategy or Strategies will achieve the objectives of a particular portfolio.

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#### B.2. INVESTMENT PHILOSOPHY & STRATEGIES

GSAM believes that client investment allocations should change as their life changes. Investment advisers that utilize GSAM as a sub-adviser have a thorough understanding of their clients personal risk tolerance investment objectives, and adjust their allocation to meet the personal needs.

GSAM seeks to incorporate a broad range of diversified investment options that will enable it to construct a portfolio with aggregate risk and return characteristics at any point within the client's desired suitability range (aggressive to conservative). The firm seeks adherence to the specific investment objectives, time frame, and criteria for each client, and evaluates the relevant information over a full market cycle.

With these objectives and identified investment categories, the Firm will select investment options to:

- Maximize return within reasonable and prudent levels of risk within portfolio timeframes
- Provide returns comparable to returns for similar investment options.
- Provide exposure to a wide range of investment opportunities in various asset classes.

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### B.3. CLIENT ASSETS UNDER MANAGEMENT

This is the Adviser's initial filing, and there are no current assets under management.

## ITEM 5: FEES AND COMPENSATION

### A. METHODS OF COMPENSATION AND FEE SCHEDULE

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#### FEES FOR SUB-ADVISORY SERVICES

For its services as a sub-advisor to investment advisors, GSAM charges a negotiable Sub-Advisory Fee (the "Fee") not exceeding 0.55% of assets under management, annually. The Fee arrangement is established directly with the investment adviser. The Fee may be billed and payable in arrears or in advance on a monthly or quarterly basis, and will be stated in the sub-advisory agreement between GSAM and the investment adviser.

A client in a Wrap Program typically pays the sponsor of the program an annual fee typically ranging from 1% to 2.5% of the client's annual assets under management. In the event that GSAM is engaged by a Wrap Program sponsor to provide investment sub-advisory services to clients of the program, GSAM's sub advisory agreement with the sponsor will specify the amount of the firm's sub-advisory fee.

In general, we receive the same annual fee(s) described above, regardless of whether the sub-advisory services are provided for wrap accounts versus non-wrap accounts. The specific fee amount will be negotiated between GSAM and the program sponsor and will depend on a number of factors, including the size of the Wrap Program and the particular GSAM investment strategy(ies) that the program will offer to clients.

The Wrap Program client does not pay any fees directly to GSAM; instead, the sponsor pays GSAM's fee out of the proceeds of the "wrap fee" paid by the client. In the event that GSAM's service to the Wrap Program is terminated, any pre-paid advisory fee will be refunded to the client on a pro rata basis by the Wrap Program sponsor. Wrap Program fees collected by a sponsor typically cover all brokerage commissions on trades that are executed with the sponsor.

## **B. TERMINATION OF AGREEMENT - REFUNDS**

GSAM's advisory contracts with clients may typically be terminated at any time by either party upon written notice to the other party. If an advisory contract is terminated, we will refund to the client any unearned and pre-paid advisory fees

## **C. PORTFOLIO VALUES FOR FEE CALCULATIONS**

For purposes of calculating the amount of any asset-based fee owned and payable to Golden State Asset Management, LLC, GSAM utilizes the independent pricing services and/or qualified custodians to obtain timely valuation information for advisory client securities

## **D. EXTERNAL COMPENSATION FOR THE SALE OF SECURITIES TO CLIENTS**

GSAM does not receive any consideration or fees beyond those paid by the client. Fees paid to GSAM are exclusive of all custodial and transaction costs paid to the client's custodian, brokers, or other third-party consultants. Please see Item 12 below for additional information.

Fees paid to GSAM are also separate and distinct from the fees and expenses charged by mutual funds, ETFs or other investment pools (generally including a Management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, and others to fully understand the total amount of fees paid by the client for investment and financial-related services

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

GSAM does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **ITEM 7: TYPES OF CLIENTS**

GSAM provides investment advisory services to registered investment advisers . The firm has no minimum investment.

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

### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

As described above, GSAM builds its strategies by first establishing diversified portfolios matching the needs of clients across various investment time horizons. It then overlays a set of rules using the asset price as the driver. Prices are monitored daily, but rules are executed at

month-end for existing accounts and intra-month for new accounts. Execution of these rules allows the portfolio to tilt toward stronger performing assets and away from weaker segments.

The rules use average prices over multiple timeframes to reduce the impact of any one set of conditions. The first timeframe, considered long-term, is designed to capture trends over months and years, should they persist. The second is considered intermediate and captures trends over weeks and months. Focusing on longer rather than shorter trends improves after-tax performance by holding winning trades for longer periods and exiting losing trades quickly. This design also provides value to advisors and their clients by reducing excess trades and statement activity.

Investing in securities involves the risk of loss that investors should be prepared to bear.

## B. RISKS

GSAM invests its clients' assets in ETFs and Mutual Funds. All investment portfolios are subject to risks. Accordingly, there can be no assurance that clients will meet their investment objectives and goals, or that investments will not lose money.

Certain material risks to which the client's assets may be subject are discussed below.

**Management Risks.** While GSAM manages assets based on its experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that GSAM allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that the GSAM's specific investment choices could underperform their relevant benchmarks.

**Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.** GSAM may invest client portfolios in mutual funds and ETFs. Investments in pooled investment funds are often less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.

**Risks Related to Alternative Investment Vehicles.** From time to time and as appropriate, GSAM may invest a portion of a client's portfolio in alternative vehicles. The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective managers. When the investment objectives and strategies of a manager are out of favor in the market or a manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the manager may lose money. A client account may lose a substantial percentage of its value if the investment objectives and strategies of many or most of the alternative investment vehicles in which it is invested are out of favor at the same time, or many or most of the managers make unsuccessful investment decisions at the same time.

**Equity Market Risks.** GSAM may invest portions of client assets directly into equity investments, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

**Fixed Income Risks.** GSAM may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

**Risks Associated with Electronic Trading or Order Routing Systems.** Trading through an electronic trading or order routing system creates risks associated with system or component failure. In the event of system or component failure, GSAM may not be able to enter new orders, execute existing orders, modify or cancel orders that were previously entered or determine the status of existing orders. This could result in financial losses to clients.

The foregoing risks are just some of the most significant risks that may apply to a client's investments. Clients should understand that investing in any securities, involves a significant risk of loss of both income and principal and that they should be prepared to bear such losses. Investment safety and satisfactory performance is in no way guaranteed and no incremental protections are offered via an investment account with GSAM.

## **ITEM 9: DISCIPLINARY INFORMATION**

Neither GSAM nor any of its owners or employees has reportable disciplinary events

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. BROKER-DEALER OR REPRESENTATIVE REGISTRATION**

As of January 1, 2019 representatives of our firm, including three of the principal owners, Daniel Catone, Patrick Catone and Kyle Fairall, are registered representatives of LPL Financial, LLC, member FINRA/SIPC. Registered representatives may offer securities and receive normal and customary commissions as a result of securities transactions. Therefore, a conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn and may not necessarily be in the best interests of the client..



## B. FUTURES OR COMMODITY REGISTRATION

Neither GSAM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

## C. MATERIAL RELATIONSHIPS MAINTAINED BY THIS ADVISORY BUSINESS AND CONFLICTS OF INTEREST

Golden State Asset Management, LLC is owned by Daniel Catone, Patrick Catone, John Nahas, and Kyle Fairall.

Daniel Catone, Patrick Catone, and John Nahas are also control persons of Golden State Wealth Management, LLC, an investment adviser registered with the Securities and Exchange Commission, and located at the same physical address as Golden State Asset Management, LLC.

As of January 1, 2019, John Nahas is also the sole owner of Golden State Equity Partners, LLC, an investment adviser whose principal place of business is located in California. The firm provides wealth management services, including portfolio management, financial planning, and retirement consulting, amongst others.

Daniel Catone also owns a California registered investment adviser named Redwood Investment Group, Inc. DBA Redwood Investments.

Golden State Wealth Management, LLC is a federally registered investment adviser with branches located in California and Washington. The firm provides wealth management services, including portfolio management, financial planning, and retirement consulting, amongst others. Each of the branches of the firm currently operates under a different "Doing Business As" name. Most of the firm's investment adviser representatives are also registered representatives of LPL Financial, LLC ("LPL"), member FINRA/SIPC.

### Conflict of Interests

Golden State Asset Management, LLC provides investment advisory services to advisory affiliates and their clients. Similarly, some of our control person, investment professionals, and employees may provide other services to those affiliates and their clients.

Certain representatives of Golden State Asset Management, LLC or other affiliated companies are licensed insurance agents of unaffiliated insurance companies, and may recommend the purchase of certain insurance-related products on a commission basis.

The recommendation by Golden State's representatives that a client purchase an insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Golden State's representatives. Clients are reminded that they may purchase insurance products recommended by Golden State through other, non-affiliated insurance agents.

**GSAM's Chief Compliance Officer, Patrick Catone, remains available to address any questions that a client or prospective client may have regarding the above described conflicts of interest.**

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. CODE OF ETHICS**

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

## **ITEM 12: BROKERAGE PRACTICES**

When given discretion to select the brokerage firm that will execute orders in client accounts, GSAM seeks “best execution” for client trades, which is a combination of a qualitative and quantitative number of factors, including, without limitation, quality of execution, services provided, and commission rates. In most cases the client chooses the custodian and clearing firm. Regardless, it is GSAM's practice to seek the lowest cost implementation of our strategies, including trade and management fees. GSAM may use or recommend the use of brokers who do not charge the lowest available commission in recognition of other services factors, including quality of execution, technology available and reporting quality.

### **Aggregation of Clients' Orders**

GSAM may aggregate securities sale and purchase orders for clients with similar orders being made contemporaneously for other accounts managed by it if, in GSAM's judgment, aggregation is reasonably likely to result in an overall economic benefit to all of the accounts involved or at least result in no detriment to the accounts involved.

## **ITEM 13: REVIEW OF ACCOUNTS**

GSAM will periodically review each client's account(s) and on an as-needed basis. These reviews generally will be conducted by one or more of its Managing Partners or the firm's Chief Compliance Officer.

Account custodians are responsible for providing monthly account statements which reflect the positions (and current pricing) in each client's account as well as transactions in each client's account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. GSAM will provide additional written reports as needed or requested by the client.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Golden State Asset Management, LLC does not currently pay any finder's fee or otherwise compensate any person for client referrals. Our firm may, however, in the future enter into arrangements whereby it makes cash payments for client referrals.

## **ITEM 15: CUSTODY**

GSAM does not have actual or constructive custody of its clients' funds and all clients' funds and securities are held at a qualified third-party custodian. To the extent it has custody of a client's assets, GSAM will send such client a quarterly statement outlining its fee calculation before the debit of its fee is made. These statements and the statements received from each client's custodian should be carefully reviewed by the client. Clients should contact GSAM directly if they believe that there may be an error in their statement.

Currently, GSAM does not have custody over any of its clients' assets.

#### **ITEM 16: INVESTMENT DISCRETION**

Clients engaging GSAM to provide sub-advisory services generally hire our firm to provide discretionary asset management services, in which case we place trades in clients' accounts without contacting the client prior to each trade to obtain the client's permission. Clients generally execute a sub-advisory agreement, which allows GSAM to determine the securities to buy or sell and/or determine the amount of the securities to buy or sell in its discretion. As discussed above, GSAM may allow such clients to place various restrictions on its choice of allowable investments

#### **ITEM 17: VOTING CLIENT SECURITIES**

GSAM does not vote proxies for any of its clients.

#### **ITEM 18: FINANCIAL INFORMATION**

GSAM does not solicit or accept prepayment of more than \$1,200 in fees per client, six months or more in advance. GSAM currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.