

## **Item 1 Cover Page**

### **Coastal Capital Group, Inc.**

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**March 29, 2019**

#### **FORM ADV PART 2A APPENDIX I WRAP FEE PROGRAM BROCHURE**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Coastal Capital Group, Inc. If you have any questions about the contents of this Wrap Fee Program Brochure, contact us at (978) 777-3116. The information in this Wrap Fee Program 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 Capital Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References to Coastal Capital Group, Inc. being a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Since the March 20, 2018 annual updating amendment, this Wrap Fee Program Brochure has been amended to expound upon preexisting disclosures.

Coastal Capital Group, Inc. believes that communication and transparency are the foundation of its relationship with clients and will continually strive to provide its clients with complete and accurate information at all times. Coastal Capital Group, Inc. encourages all current and prospective clients to read this Brochure, our Wrap Fee Program Brochure, and our Brochure Supplements, and to discuss any questions you may have with us. And of course, we always welcome your feedback.

You may view Coastal Capital Group, Inc.'s Form ADV Parts 1, 2A, and 2A Appendix 1 at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD #186511. You may also request a copy of this Brochure our Wrap Fee Program Brochure, and our Brochure Supplements at any time, by contacting us at (978) 777-3116.

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## Item 4 Services, Fees, and Compensation

### A. Investment Advisory Services

Coastal Capital offers to its clients (generally, individuals, high net worth individuals, trusts, estates, charitable organizations, businesses and their retirement plans) wealth management services, including investment management and financial planning services to the extent specifically requested by a client.

#### Coastal Capital Wrap Program

Coastal Capital is the sponsor and investment manager of the Coastal Capital Wrap Program (the "Program"). Under the Program, clients will pay a single investment advisory fee that compensates for investment management services, trade execution, custody, and reporting (the "Wrap Fee"). Clients who participate in this service offering for three years may "graduate" to paying a reduced Wrap Fee as more fully described below. The services included under the Program are tailored to each client's particular need.

Coastal Capital provides customized investment advisory solutions for its clients through continuous personal client contact and interaction. The process begins by working with each client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create a portfolio strategy. Coastal Capital will then construct a portfolio, consisting of low-cost, diversified mutual funds and/or exchange-traded funds ("ETFs") designed to achieve the client's investment goals. To a lesser extent, Coastal Capital may also invest client assets among individual equities, individual bonds and other types of investments, as it deems appropriate. Finally, Coastal Capital may also invest client assets according to one or more model portfolios, as more fully described below. These models are designed for investors with varying degrees of risk tolerance. Once the client's individual portfolio is constructed or assets are invested in one or more model portfolios, Coastal Capital provides ongoing monitoring and review of account performance, asset allocation and client investment objectives, and may execute transactions based on such monitoring and review.

Under this service offering, Coastal Capital's Wrap Fee also compensates for financial planning and consulting services that the client specifically requests and Coastal Capital agrees to provide. These services typically focus on the following:

- Spending & Saving: Budget development and monitoring of retirement funding, education funding, and debt management.
- Risk Management: Evaluate and provide advice about insurance needs to protect and conserve assets, including: health, life, disability, and long-term care insurance needs.
- Employer Benefits: Evaluate stock plans, 401(k) account, and employer benefits such as health care, disability insurance, etc. and provide related advice.
- Tax Planning: Develop a tax strategy to minimize taxes paid.
- Estate Planning: Educate and communicate estate planning strategies such as the use of trusts to minimize estate tax, probate costs as well as passing assets effectively to client's heirs.

If the client seeks extraordinary financial planning and consulting services (to be determined in the sole discretion of Coastal Capital), then Coastal Capital would offer to charge for those additional services under the terms and conditions of a stand-alone Financial Planning Agreement (see “Financial Planning Services” below).

Coastal Capital’s model portfolios are comprised of mutual funds and ETFs, which will all be monitored and periodically adjusted to suit market conditions based on internal research. Investments in model portfolios are not guaranteed and are subject to risk, which could result in a complete loss of principal. The majority of the model portfolios require a minimum investment of \$200,000. Clients seeking model portfolio management for assets under \$200,000 will be allocated to a passive ETF model, comprised of passive ETFs only. Please refer to the risk disclosures for passive ETFs in Item 6.C. below.

Coastal Capital’s model portfolio management has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Coastal Capital’s managed account asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Coastal Capital’s management of client assets:

1. Initial Interview – at the opening of the account, Coastal Capital, through its designated representatives, shall obtain from the client information sufficient to determine the client’s financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client’s financial situation and investment objectives;
3. Quarterly Notice – at least quarterly Coastal Capital shall notify the client to advise Coastal Capital whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, Coastal Capital shall contact the client to determine whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – Coastal Capital shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Coastal Capital not to purchase certain mutual funds;
8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Coastal Capital believes that its annual investment advisory fee charged for model portfolio management is reasonable in relation to: (1) the advisory services provided; and (2) the fees charged by other investment advisers offering similar services/programs. However, Coastal Capital’s annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. Coastal Capital’s investment programs may involve above-average portfolio turnover which could negatively impact the net after-tax gain experienced by an individual client in a taxable account.

The Wrap Fee is paid quarterly, in advance of each calendar quarter, under the terms and conditions of the Wealth Management Agreement. The fee is generally non-negotiable except as indicated below based on the following schedule, which applies the aggregate market value of all client assets under management on the last business day of the prior calendar quarter as follows:

Assets Under Management	Annual Rate	Annual Rate after "Graduation"
Up to \$499,999	Negotiable	Negotiable
\$500,000 to \$999,999	1.20%	1.02%
\$1,000,000 to \$1,999,999	1.10%	0.94%
\$2,000,000 to \$3,499,999	1.00%	0.85%
\$3,500,000 to \$4,999,999	0.90%	0.77%
Over \$5,000,000	0.80%	0.68%

The Wrap Fee in the first quarter of service is prorated from the inception date of the account(s) to the end of the first quarter. Fee adjustments will be made for inflows or outflows from the account. These adjustments are made in the first calendar quarter billing cycle following the quarter in which the inflows/outflows occurred. All securities held in accounts managed by Coastal Capital will be independently valued by the account custodian. Coastal Capital will not have the authority or responsibility to value portfolio securities.

Clients who continue to receive services under the Program for a period of three years will "graduate," and will receive the fee reduction identified under the "Annual Rate after Graduation," above (as applicable). The reduced fee will become effective for the first quarter after the quarter during which client's three-year anniversary transpires.

The fee charged is calculated as described above, which is not based upon capital gains or upon capital appreciation of advisory clients' assets, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940. Clients may elect to have Coastal Capital's investment advisory fees under the Program deducted from their custodial account. The Wealth Management Agreement and the custodial/clearing agreement may authorize the account custodian to debit the client's account for the amount of Coastal Capital's investment advisory fee and to directly remit that advisory fee to Coastal Capital in compliance with regulatory procedures. In the limited event that Coastal Capital bills the client directly, payment is due upon receipt of Coastal Capital's invoice. The amount due for investment advisory fees under the Program is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with Coastal Capital on the last business day of the previous quarter. Either party may terminate the Wealth Management Agreement at any time by providing advance written notice to the other party. The client shall be responsible for advisory fees up to and including the effective date of termination. Upon termination, Coastal Capital will refund any unearned, prepaid advisory fees from the effective date of termination to the end of the quarter.

Charles Schwab & Co. ("Schwab") serves as the custodian for Program accounts.

## **B. Program Fees and Costs**

Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Coastal Capital for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. Depending upon the percentage Wrap Fee charged by Coastal Capital, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the Wrap Fee may or may not exceed the aggregate

cost of such services if they were to be provided separately and/or if Coastal Capital were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

Wrap Program Conflict of Interest. Participation in a wrap program may cost the client more or less than purchasing such services separately. When managing a client's account on a wrap fee basis, Coastal Capital will receive the balance of Wrap Fee after all other costs incorporated into Wrap Fee have been deducted as payment for its investment advisory services. Because wrap program transaction fees and/or commissions are being paid by Coastal Capital to the account broker-dealer/custodian, Coastal Capital could have an economic incentive to minimize the number of trades or select funds that do not incur transaction fees in the client's account to maximize its own compensation, which presents an inherent conflict of interest. To help mitigate this conflict of interest, Coastal Capital's trading activity on behalf of its clients is dictated by its clients' needs and anticipated market conditions, as opposed to transaction fee costs absorbed by Coastal Capital. Coastal Capital's Chief Compliance Officer, James Horrocks, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflicts of interest presented.

Coastal Capital does not maintain an asset based pricing arrangement with the Wrap Fee Program custodian. In an asset based pricing arrangement, the amount charged for transactions effected for a client's account is a fixed percentage based upon the market value of such client's account. Nor does Coastal Capital maintain an internal budget anticipating transaction costs. Rather, Coastal Capital's trading activity is dictated by its clients' needs and anticipated market conditions, as opposed to transaction fee costs absorbed by Coastal Capital.

### **C. Additional Fees**

The Program's Wrap Fee does not include certain charges and administrative fees, including, but not limited to, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than Schwab, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, SEC fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's Wrap Fee. In addition, clients will also incur, relative to all mutual fund and exchange traded fund ("ETF") purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

### **D. Wrap Program Recommendations**

Coastal Capital's related persons who recommend the Program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

## **Item 5 Account Requirements and Types of Clients**

Coastal Capital offers investment advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, businesses and their retirement plans.

Coastal Capital does not formally impose a minimum dollar amount to open and maintain an advisory account; however, it prefers to work with clients having investable assets of at least \$500,000 designated for Coastal Capital's management. Further, while the majority of the model portfolios described in Item 4.A. are designed for accounts exceeding \$200,000, clients seeking wealth management services with investable assets under \$200,000 may engage Coastal Capital to manage assets under a "Passive ETF" model portfolio. Coastal Capital reserves the right to reduce or eliminate any minimum account value preferences or requirements in its sole discretion, when it believes the requested account management can remain consistent with the client's applicable investment objectives.

## **Item 6 Portfolio Manager Selection and Evaluation**

### **A. Portfolio Manager Selection**

Coastal Capital serves as sponsor and as portfolio manager for the services under this Wrap Fee Program. However, on a limited basis for certain legacy clients and when consistent with investment objectives, Coastal Capital may continue to engage sub-advisers to manage a portion of client portfolios. In that case, Coastal Capital will regularly monitor the performance of the accounts managed by sub-advisers, and may hire and fire any sub-adviser without prior approval from the client. Coastal Capital generally considers the following factors when recommending the continued allocation to sub-advisers: the applicable client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

### **B. Related Persons**

Coastal Capital acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by Coastal Capital, a conflict of interest is presented because Coastal Capital may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by Coastal Capital as a result of the client's participation in the Program may be more than what Coastal Capital would receive if the client paid separately for investment advice, brokerage and other services.

### **C. Other Services Provided**

Coastal Capital offers to provide the following services, in addition to the services offered under the Program:

#### **Financial Planning Services**

Coastal Capital offers a variety of stand-alone financial planning services to clients ranging from broad-based financial planning to consultative or single subject planning, generally under a written Financial Planning Agreement setting forth the terms and conditions of the engagement (including termination) and describing the scope of the services to be provided. Coastal Capital tailors its financial planning services to each client's respective financial situation, goals, and objectives. Coastal Capital will typically begin the engagement by meeting with clients to gather information about their financial circumstances and objectives. This planning or consulting may encompass one or more areas of need, including, but not limited to investment planning, retirement planning, personal savings, education savings, and other areas of a client's financial situation. For certain financial planning engagements, Coastal Capital will provide a written summary of the client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, Coastal Capital may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

Financial planning services typically include general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs. Coastal Capital may also refer clients to an accountant, attorney or other specialist, as appropriate for implementation purposes, including representatives of Coastal Capital in their separate and individual capacities as registered representatives of a broker-dealer and/or as licensed insurance agents. (Please refer to Item 9.A. regarding the conflicts of interest presented by this recommendation). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such



implementation decisions and is free to accept or reject any recommendation from Coastal Capital including, but not limited to, whether to engage Coastal Capital to implement the financial plan.

### **Retirement Plan Advisory Services**

Coastal Capital serves as a 3(21) Fiduciary to retirement plans (each a "Plan") in support of the Plan Sponsor under the terms and conditions of a Retirement Plan Advisory Agreement. Coastal Capital provides the following Plan Fiduciary Services based upon the needs of the plan, and pursuant to the terms of the agreement with each Plan Sponsor:

- Vendor Analysis
- Employee Enrollment and Education Tracking
- Investment Policy Statement
- Investment Monitoring
- Performance Reports
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance
- Benchmarking Services

Coastal Capital also provides the following communication and education services to the Plan and its Participants, pursuant to the terms of the agreement with each Plan Sponsor:

- Direct employee contacts by phone, e-mail, or letter upon eligibility to promote enrollment
- Investment education
- Regular on-site advisor visits with staff for account updates and reviews
- Periodic company-wide employee survey of retirement plan understanding
- Customer satisfaction surveys
- Periodic employee group education opportunities

Coastal Capital does not provide 3(38) discretionary investment advisory services on behalf of the Plan or Plan Sponsor.

### **Miscellaneous**

Limitations of Planning / Implementation Services. Neither Coastal Capital, nor any of its representatives, serve as an attorney or accountant and no portion of Coastal Capital's services should be construed as legal or accounting services. Accordingly, Coastal Capital does not prepare estate planning documents or tax returns on behalf of clients. To the extent requested by a client, Coastal Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Coastal Capital in their separate and individual capacities as registered representatives of Purshe Kaplan Sterling Investments ("PKS"), an SEC-registered and FINRA member broker-dealer, and as licensed insurance agents, as described in Item 9.A and also at Items 5.E. and 10.C. of Coastal Capital's Form ADV Part 2A. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Coastal Capital. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. The preceding sentence shall not limit or waive any applicable rights under federal or state law, including securities laws, or fiduciary obligations that cannot be limited or waived. The recommendation by Coastal Capital's representative that a client purchase a securities or insurance commission product through a

Coastal Capital representative in a separate and individual capacity as a registered representative of Purshe Kaplan Sterling Investments and/or as a licensed insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's needs. No client is under any obligation to purchase any securities or insurance commission products through these individuals. Clients are reminded that they may purchase securities and insurance products recommended by Coastal Capital through other, non-affiliated broker-dealers and/or insurance agencies.

Non-Discretionary Service Limitations. Clients that determine to engage Coastal Capital on a non-discretionary investment advisory basis must be willing to accept that Coastal Capital cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Coastal Capital would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Coastal Capital will be unable to execute account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

Cash Positions. Coastal Capital may maintain cash positions for defensive or liquidity purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating Coastal Capital's advisory fee.

Margin Accounts. Coastal Capital does not recommend the use of margin for investment purposes. However, if a client determines to take a margin loan that collateralizes a portion of the assets that Coastal Capital is managing, Coastal Capital's investment advisory fee will be computed based upon the full value of the assets, without deducting the amount of the margin loan.

Client Responsibilities: In performing any of its services, Coastal Capital shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary, Coastal Capital shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client's designated investment objectives. Moreover, it remains each client's responsibility to promptly notify Coastal Capital if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Coastal Capital's previous recommendations and/or services.

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Coastal Capital) will be profitable or equal any specific performance.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client 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) roll over 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). If Coastal Capital recommends that a client roll over their retirement plan assets into an account to be managed by Coastal Capital, such a recommendation creates a conflict of interest if Coastal Capital will earn a new (or increase its current) advisory fees as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Coastal Capital.

Availability of Mutual Funds and ETFs. While Coastal Capital may recommend allocating investment assets to mutual funds and ETFs that are not available directly to the public, Coastal Capital may also recommend that clients allocate investment assets to publically-available mutual funds and ETFs that the client could obtain without engaging Coastal Capital as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds and ETFs without engaging Coastal Capital as an investment adviser, the client or prospective client would not receive the benefit of Coastal Capital's initial and ongoing investment advisory services with respect to those assets.

eMoney Advisor Platform. Coastal Capital may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Coastal Capital does not manage (the "Excluded Assets"). Coastal Capital does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Coastal Capital shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or the client's advisor(s) that maintain management authority for the Excluded Assets, and not Coastal Capital, shall be exclusively responsible for such investment performance. If the eMoney platform also provides access to other types of information or functionality, including financial planning concepts and applications, that information or functionality should not be construed as services, advice, or recommendations provided by Coastal Capital. Rather, Coastal Capital shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Coastal Capital's assistance or oversight.

Sub-Advisers. On a limited basis for certain legacy clients and when consistent with investment objectives, Coastal Capital may continue to engage sub-advisers to manage a portion of client portfolios. In that case, Coastal Capital will regularly monitor the performance of the accounts managed by sub-advisers, and may hire and fire any sub-adviser without prior approval from the client. Coastal Capital generally considers the following factors when recommending the continued allocation to sub-advisers: the applicable client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

Portfolio Activity. Coastal Capital has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Coastal Capital will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Coastal Capital determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Coastal Capital will be profitable or equal any specific performance levels.

## **Client Account Management**

Coastal Capital tailors its advisory services to the specific needs of each client. Before engaging Coastal Capital to provide services, each client is required to enter into one or more agreements with Coastal Capital defining the terms, conditions, authority and responsibilities of Coastal Capital and the client. These services may include but are not necessarily limited to:

- Establishing Investment Objectives – Coastal Capital, in connection with the client, will assist in developing investment goals and objectives and the strategies designed to achieve those goals and objectives.
- Asset Allocation – Coastal Capital will develop a strategic asset allocation that is targeted to

meet the investment objectives, time horizon, financial situation, and risk tolerance of each client.

- **Portfolio Construction** – Coastal Capital will develop a portfolio for the client that is intended to meet the stated goals and objectives of the client.
- **Investment Management and Supervision** – Coastal Capital will provide investment management and ongoing oversight of the client's investment portfolio.

Except with respect to model management, clients may impose reasonable restrictions upon Coastal Capital's discretionary authority (for example, limiting the types of securities that can be purchased or sold for their account) at any time, by providing the restrictions and guidelines in writing. Clients whose assets are invested in model portfolios may not impose restrictions on the specific holdings or allocations within the model in which they are invested, nor the types of securities that can be purchased in the model. Therefore, clients seeking to impose such restrictions may be limited in their ability to invest in certain models.

### **Performance-Based Fees and Side by Side Management**

Coastal Capital does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Coastal Capital's fees are calculated as described above in Item 4, and in Item 5 of Coastal Capital's Form ADV Part 2A, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in client advisory accounts.

### **Methods of Analysis**

Coastal Capital primarily employs fundamental analysis methods in developing investment strategies for its clients. Research and analysis from Coastal Capital is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, to include: annual reports, prospectuses, press releases, and research prepared by others.

The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Additionally, Coastal Capital will use Modern Portfolio Theory which is a theory of investment that attempts to maximize expected portfolio returns for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return by carefully diversifying the proportions of various assets.

The risk of Modern Portfolio Theory is market risk. Market risk is that part of a security's risk that is common to all securities of the same general class (stocks versus bonds, etc.) and thus cannot be eliminated by diversification.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Coastal Capital) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

Currently, Coastal Capital primarily allocates or recommends that clients allocate investment assets among: exchange-listed securities, mutual funds, bonds, ETFs, cash and cash equivalents on a discretionary or non-discretionary basis in accordance with the client's designated investment objectives. Each type of investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments that Coastal Capital uses or recommends:

**Market Risk.** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

**Unsystematic Risk.** Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

**Value Investment Risk.** Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

**Growth Investment Risk.** Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

**Small Company Risk.** Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

**Commodity Risk.** The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Sub-Adviser Risk. Coastal Capital's role in the management of clients' accounts through sub-advisers is more limited, and Coastal Capital will not have the opportunity to evaluate the specific investments made by sub-advisers in advance. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of sub-advisers and returns could be adversely affected by unfavorable performance of such sub-advisers. Further, Coastal Capital depends on sub-advisers to develop the appropriate systems and procedures to control operational risks.

Mutual Fund Risk. Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks, as generally described above, can be significantly increased if the fund is concentrated in a particular sector of the market. Funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. Investors should carefully assess their tolerance for risk before they decide which fund is suitable for their account.

Exchange Traded Fund Risk. ETFs trade on securities exchanges and are subject to all the risks discussed above with respect to the underlying assets they hold. However, they are also subject to the additional risk that their traded values can diverge from the underlying values of the securities that they hold. Therefore, potential losses can be increased when an ETF is purchased at a price that is higher than its underlying value or sold at a price that is lower than its underlying value. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

Passive Exchange Traded Fund Risk. Investments in passive ETFs involve the risk that the ETF's performance may not track the performance of the index the ETF is designed to track. Unlike the index, an ETF incurs advisory and administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and the index it is designed to track also may diverge because the composition of the index and the securities held by the ETF may occasionally differ. Although ETFs will generally trade close to net asset value, market volatility, lack of an active trading market for ETF shares, disruptions at market participants (such as authorized participants or market makers) and any disruptions in the ordinary functioning of the creation/redemption process may result in ETF shares trading significantly above (at a "premium") or below (at a "discount") net asset value.

Options Strategies. While Coastal Capital does not typically recommend that clients employ the use of options transactions, it may do so upon specific client request. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Coastal Capital shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Although the intent of the options-related transactions that may be implemented by Coastal Capital is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.) may, in and of themselves, produce principal volatility and risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, clients may direct Coastal Capital, in writing, not to employ any or all such strategies for their accounts. For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>

## **Investment Strategies**

As noted above, Coastal Capital generally employs a long-term investment strategy for its clients, as consistent with their financial goals. Coastal Capital will typically hold all or a portion of a security for more than a year, but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of clients.

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market invested in, or perhaps just the particular investment, will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

At times, Coastal Capital may also buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. Using a short-term purchase strategy generally assumes that one can predict how financial markets will perform in the short-term, which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

### **Voting Client Securities**

Coastal Capital does not vote client proxies. Clients maintain exclusive responsibility for: directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events pertaining to the client's investment assets. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Coastal Capital to discuss any questions they may have with a particular solicitation

### **Item 7 Client Information Provided to Portfolio Managers**

Coastal Capital serves as the Program's portfolio manager. To the extent that Coastal Capital engages a sub-adviser to manage all or a portion of a client's assets in the Wrap Fee Program, the sub-adviser will be provided with the client's account application which includes information such as the client's name, address, account number, social security number, or taxpayer identification number, whether the account is taxable or non-taxable, the contact information of Coastal Capital's Investment Adviser Representative overseeing management of the client's account, the investment strategy selected, and the amount invested. We will also provide information concerning any restrictions requested by the client.

If applicable, client information will be provided to the sub-adviser upon commencement of the relationship and will be updated at any point at which the information becomes materially inaccurate.

As indicated above, each client is advised that it remains their responsibility to promptly notify Coastal Capital if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, and revising Coastal Capital's previous recommendations and/or services.

### **Item 8 Client Contact with Portfolio Managers**

There is no restriction on the client's ability to contact Coastal Capital or any sub-adviser, if applicable, regarding the client's account in the Wrap Fee Program.

### **Item 9 Additional Information**

**A.** There are no legal, regulatory or disciplinary events involving Coastal Capital or any of its employees to report.



## **Broker-Dealer Affiliation**

Certain Investment Adviser Representatives of Coastal Capital are also registered representatives of PKS. In their respective separate and individual capacities as registered representatives, they will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by representatives of Coastal Capital. Neither Coastal Capital nor its Investment Adviser Representatives will earn ongoing investment advisory fees in connection with any services implemented in an individual's separate capacity as a registered representative. In no circumstances will Coastal Capital earn an advisory fee and a commission on the same investment.

## **Insurance Agency Affiliations**

Certain Investment Adviser Representatives of Coastal Capital are also licensed insurance professionals. Implementation of insurance recommendations are separate and apart from that Investment Adviser Representative's role with Coastal Capital. These individuals may receive customary commissions and other related revenues from the various insurance companies whose products are sold. Commissions generated by insurance sales do not offset regular advisory fees. This may cause a conflict of interest in recommending certain products of the insurance companies. Clients are under no obligation to implement any recommendations made by representatives of Coastal Capital.

## **Other Affiliations in General**

Coastal Capital is not registered and does not have an application pending to register as a broker-dealer. Neither Coastal Capital nor any of its representatives are registered or have an application pending to register as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing. Coastal does not receive direct or indirect compensation as a result of recommending or selecting other investment advisors for its clients.

## **Code of Ethics**

Coastal Capital has implemented a Code of Ethics that defines its fiduciary commitment to each client. This Code of Ethics applies to all persons associated with Coastal Capital (our "Supervised Persons"). The Code of Ethics was developed to provide general ethical guidelines and specific instructions regarding our duties to our clients. Coastal Capital and its personnel owe a duty of loyalty, fairness and good faith towards each client. It is the obligation of Coastal Capital's Supervised Persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code of Ethics covers a range of topics that address employee ethics and conflicts of interest. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page.

## **Personal Trading with Material Interest**

Neither Coastal Capital nor any related person of Coastal Capital recommends, buys, or sells for client accounts, securities in which Coastal Capital or any related person of Coastal Capital has a material financial interest. Additionally, Coastal Capital does not act as the general partner of a fund, or advise an investment company.

## **Personal Trading in Same Securities as Clients**

Coastal Capital and/or representatives of Coastal Capital may buy or sell securities that are also recommended to clients. This practice may create a situation where Coastal Capital and/or representatives of Coastal Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Coastal Capital did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Coastal Capital’s clients) and other potentially abusive practices.

Coastal Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Coastal Capital’s “Access Persons.” Coastal Capital’s securities transaction policy requires that Access Persons of Coastal Capital provide the Chief Compliance Officer or a designee with a written report of their current securities holdings within 10 days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or a designee with a written report of the Access Person’s current securities holdings at least once each 12 month period thereafter on a date Coastal Capital selects; provided, however, that if at any time Coastal Capital has only one Access Person, he or she shall not be required to submit any securities report described above.

## **Personal Trading at Same Time as Client**

Coastal Capital and/or representatives of Coastal Capital may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Coastal Capital and/or representatives of Coastal Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this presents a conflict of interest. As indicated above, Coastal Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Coastal Capital’s Access Persons.

## **Frequency of Reviews**

Securities in client accounts are monitored on a regular and continuous basis by an Investment Adviser Representative or under the supervision of an Investment Adviser Representative. Formal reviews are generally conducted at least annually or more or less frequently depending on the needs of the client.

## **Causes for Reviews**

Accounts may be reviewed as a result of major changes in economic conditions, known changes in the client’s financial situation, and/or large deposits or withdrawals in the client’s account(s). The client is encouraged to notify Coastal Capital if changes occur in the client’s personal financial situation that might adversely affect the client’s investment plan. Additional reviews may be triggered by material market, economic, or political events.

## **Review Reports**

The client will receive brokerage statements no less than quarterly from the trustee or Custodian. These brokerage statements are sent directly from the Custodian to the client. The client may also establish electronic access to the Custodian’s website so that the client may view these reports and their account activity. Client brokerage statements will include all positions, transactions, and fees

relating to the client's account(s). Coastal Capital may also provide clients with periodic reports regarding their holdings, allocations, and performance.

### **Compensation Received by Coastal Capital**

Coastal Capital does not receive commissions or other compensation from product sponsors, broker-dealers, or any un-related third party. Coastal Capital may refer clients to various third parties to provide certain financial services necessary to meet the goals of its clients. Likewise, Coastal Capital may receive referrals of new clients from a third-party.

### **Participation in Institutional Advisor Platform**

Coastal Capital receives economic benefits from Schwab in the form of support products and services made available to Coastal Capital and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described more fully in Item 12 of Coastal Capital's Form ADV Part 2A. The availability of Schwab's products and services is not based on Coastal Capital giving particular investment advice, such as buying particular securities for clients.

### **Client Referrals from Solicitors**

If a client is introduced to Coastal Capital by either an unaffiliated or an affiliated solicitor, Coastal Capital may pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act as well as any applicable state securities regulations. Referral fees are paid solely from Coastal Capital's investment advisory fees and does not result in any additional charges or higher fees to the client. The unaffiliated Solicitor will provide the client with a copy of Coastal Capital's Form ADV Part 2A and 2A Appendix 1, along with a Solicitor's Disclosure Statement containing the terms and conditions of the solicitation arrangement including compensation. In addition, Coastal Capital maintains a relationship with NorthShore Bank, which serves as a solicitor on Coastal Capital's behalf. Coastal Capital and NorthShore Bank are not affiliated, meaning that they are not under common ownership or control. However, in addition to the referral fee addressed above, Coastal Capital also offers a lifetime discount against all advisory fees for NorthShore Bank employees as additional consideration for the solicitor relationship. Coastal Capital does not solicit fees of more than \$1,200, per client, six months or more in advance.

### **Financial Condition**

Coastal Capital is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts. Coastal Capital has not been the subject of a bankruptcy petition.

ANY QUESTIONS: Coastal Capital's Chief Compliance Officer, James Horrocks, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.