

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**March 29, 2024**



**Castle Coast Wealth, LLC**  
**4225 Executive Square, Suite 1030**  
**La Jolla, California 92037**

This brochure provides information about the qualifications and business practices of Castle Coast Wealth, LLC. If clients have any questions about the contents of this brochure, please contact us at 858-546-1247. 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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #298439.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Castle Coast Wealth, LLC (“Castle Coast”) is required to make clients aware of information that has changed since the last annual update to the Firm Brochure (“Brochure”) and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes. This Brochure dated March 29, 2024 updates and replaces the brochure dated October 17, 2023.

The following material changes are reflected in this version:

*Item 4 – Advisory Services:* updated to: (i) reflect the firm’s assets under management as of December 31, 2023, and (ii) include disclosures that Castle Coast will, from time to time, recommend investments in private funds to certain qualified clients, depending on their needs.

*Item 5 – Fees and Compensation:* updated to include disclosures regarding the fees charged by the private funds, which are in addition to the fees charged by Castle Coast.

*Item 6 – Performance Based Fees and Side by Side Management:* updated to reflect that the private funds recommended by Castle Coast usually charge investors a performance-based fee.

*Item 8 - Methods of Analysis, Investment Strategies & Risk of Loss:* updated to include disclosures on alternative investment analysis and the main risks pertaining to private funds.

*Item 11 – Code of Ethics and Participation or Interest in Client Transactions:* updated to include disclosures on the fact that there can be times when one or more Castle Coast supervised persons invest in a private fund that are recommended to clients and how the Firm address the associated conflict of interest.

*Item 12 – Brokerage Practices* – updated to include disclosures regarding Castle Coast’s allocation policy regarding private funds.

The below changes were made in the October 17, 2023 version:

*Item 12 – Brokerage Practices* – updated to remove reference to TD Ameritrade, Inc. since they are now merged with Charles Schwab & Co. and enhance disclosures pertaining to the use of Schwab as custodian.

*Item 14 – Client Referrals and Other Compensation* – updated to remove reference to TD Ameritrade.

Castle Coast has made additional non-material updates to other sections in this Brochure, so we encourage each client to review the complete Brochure carefully and to call us with any questions you may have.

Pursuant to SEC Rules, Castle Coast will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of our fiscal year, along with a copy of this Brochure or an offer to provide the full Brochure. Additionally, as Castle Coast experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. Additional information about Castle Coast and our investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4: Advisory Business

Our firm provides individuals and other types of clients with a wide array of investment advisory services. Our firm is a Limited Liability Company (LLC) formed under the laws of the State of California in 2019 and has been in business as an investment adviser since 2019. Our firm is majority owned by Charles Gillespie, who serves as the Managing Member and Principal. In January 2019, Mr. Gillespie purchased the Firm from its founder, William L. Litton, II. Mr. Litton remains an active member of Castle Coast and continues to carry out his duties as an investment adviser representative. Mr. Tyler Stearns, who serves as a Partner and Wealth Manager, owns approximately 10% of the Firm.

Castle Coast offers investment advisory services, which include asset management and financial planning. As a fiduciary, it is our duty to always act in our clients' best interests. This is accomplished in part by knowing our clients' overall financial and investment goals. Our firm has established a service-oriented advisory practice with open lines of communication for clients to help them meet their financial goals while remaining sensitive to risk tolerance and time horizons. Working with clients to understand their investment objectives while educating them about our process facilitates the kind of working relationship we value.

### **Types of Advisory Services Offered**

Our advisory services consist of offering asset management and financial planning to individuals and high net worth clients and investment advisory services to ERISA<sup>1</sup> plans, as outlined below.

#### ***Asset Management***

As part of our Asset Management service, we create a portfolio for each client, which mainly consists of open-end mutual funds, but can also include other securities, such as exchange traded funds ("ETFs") and equity securities, depending on a client's investment objectives and risk tolerance.

At the beginning of the relationship, Castle Coast gathers information and documentation from a client on their current financial situation, investment objectives, time horizon, risk tolerance and investment preferences ("Investment Guidelines"). Castle Coast and the client will determine the appropriate asset allocation portfolio based on the client's Investment Guidelines. Throughout the relationship, clients are responsible for promptly notifying us of any changes in their Investment Guidelines. In addition, clients receiving asset management services are required to enter into a written agreement with Castle Coast. For further information, please refer to "Advisory Agreements" below.

Generally, Castle Coast utilizes open end mutual funds to create an asset allocation portfolio for each client; however, we do not limit our advice to only those types of investments. Please refer to Item 8 below for further information on the types of investments we recommend and/or utilized in clients' accounts, along with the associated risks.

Once the appropriate asset allocation portfolio has been determined, Castle Coast will continuously and regularly monitor, and when necessary, rebalance a client's portfolio to adjust for material market changes and/or changes to a client's individual needs, stated goals and objectives.

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<sup>1</sup> Employee Retirement Income Security Act of 1974 ("ERISA").

Castle Coast manages portfolios on a discretionary basis, which means we are allowed to decide the type and amount of securities to be bought and sold in a client's account and when to buy and sell the securities, without discussing with the client in advance.

From time to time, Castle Coast will recommend alternative and/or private investments to clients, such as limited partnerships or limited liability companies, which invest in securities or other private investments, such as feeder funds and fund of funds ("Private Funds"). Such Private Funds can include, but are not limited to hedge funds, real estate funds, private equity funds, and venture capital funds.

Castle Coast will only recommend potential investment in a Private Fund to clients that meet the appropriate qualification definition, and the investment appears suitable for the client. To that end, Castle Coast considers, among other things, a client's investment objectives, risk tolerance, the client's current holdings in alternative investments, and cash available for investment.

Investing in Private Funds involves various risks that clients should be aware of prior to investing. A summary of certain associated risks is outlined in Item 8 of this Disclosure Brochure. However, a complete discussion of risks and other important information is set forth in each Private Fund's private placement memorandum, subscription agreement, and limited partner or LLC agreement ("Offering Documents"), which are provided to qualified clients at the time, or shortly after an investment recommendation is made by Castle Coast.

Clients are not obligated in any way to invest in any Private Fund recommended by Castle Coast. Should a client decide to invest in a recommended Private Fund, the client will be required by the issuer of the Private Fund to complete and execute the subscription agreement and other Offering Documents. We will work with the client to help facilitate the completion and the delivery of the documents and implementation of the transaction. Also, once invested, Castle Coast will provide ongoing monitoring and oversight of the investment.

There are times when one or more of our supervised persons will invest in a Private Fund, which creates conflict of interest. Please refer to Item 11 for further information, including how Castle Coast addresses the conflict.

A client's managed account portfolio can either be a cash account or a margin account. Unlike a cash account, a margin account allows the client to buy securities or withdraw cash by borrowing the money against the portfolio assets. While we do not recommend clients to have margin accounts for investment purposes, there are times when clients decide to use a margin in their investment account(s). We believe it is important for clients to be aware that buying securities on margin subjects the client to additional costs and risks that should be carefully considered before opening a margin account. For more information regarding these additional costs and risks, please refer to Items 5 & 8, below.

### ***Financial Planning***

Our firm provides a variety of financial planning services to clients based upon an analysis of the client's current situation, goals, and objectives. Financial planning services are provided on a non-discretionary basis and can encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Generally, financial planning services will include recommendations for a course of activity or specific actions to be taken by the clients. Clients are provided with a written summary of their financial situations and financial planning recommendations. Implementation of the recommendations will be at the discretion of the client. If all the information and documents requested from the client are provided promptly, plans are typically completed within 6 months of the client signing an agreement with our firm.

Financial plans are based on the client's financial situation at the time of creation and are based on financial information disclosed by the client to Castle Coast. Clients are advised that certain assumptions are made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. However, past performance cannot be relied on as an indication of future performance. We do not provide any guarantees or promises that the client's financial goals and objectives will be met.

Clients receiving financial planning advice are under no obligation to implement any of our recommendations. Clients maintain the right to decide whether to act upon any recommendations and may follow or disregard, wholly or in part, any information, recommendations, or advice provided by Castle Coast. Should a client decide to follow our recommendations, typically the asset management services are provided through Castle Coast. Clients should know that Castle Coast has conflicts of interest when making investment recommendations since the firm will receive fees should the client implement such recommendations through us. Due to this conflict, clients always have the ability to implement recommendations with any firm of their choosing.

Clients receiving financial planning services will be required to enter into a written agreement with Castle Coast. For further information, please refer to "Advisory Agreements" below.

### ***Services to Retirement Plans***

#### **Section 3(38) Investment Manager**

Castle Coast provides discretionary investment management services to trustee-directed retirement plans. In this role, Castle Coast serves as a 3(38)-investment manager and is granted full discretion and sole authority to invest and reinvest the assets of the plan's portfolio that has been allocated to Castle Coast for management. Investments will be made based on the plan's written investment policy statement ("IPS") that is provided to Castle Coast by the plan. The plan sponsor is responsible for informing Castle Coast of any changes to the IPS.

#### **Section 3(21) Investment Adviser**

In the role of a 3(21) fiduciary for participant directed ERISA retirement plans, Castle Coast will make recommendations to the plan trustee(s) on which investment options within the recordkeeping contract (mainly open-end mutual funds) should be made available to participants under the plan and once a selection is made, Castle Coast will monitor the selected investment options and recommend any changes. Castle Coast will not have discretion to implement any changes without approval by the plan trustee(s).

#### **Important ERISA Disclosures**

When Castle Coast provides investment advice to a client, we are deemed a fiduciary under certain federal regulations, and within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way the Firm makes money creates conflicts of interest; however, as a fiduciary, Castle Coast and its supervised persons are required to always act in our clients' best interests, which means we must, at a minimum take the following steps:

- Meet a professional standard of loyalty and care when making investment recommendations.
- Always put our clients' interests ahead of our own when making recommendations and providing services.
- Disclose all conflicts of interest and how the Firm addresses such conflicts.
- Adopt and follow policies and procedures designed to help ensure that we give advice and provide services that remain in each client's best interest.
- Charge an advisory fee that is reasonable for our services.
- Not provide, or withhold, any information that could render our advice and/or services misleading.

Castle Coast will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Importantly, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents and are designed to enable the plan's ERISA fiduciary to: (1) determine the reasonableness of all compensation received by Castle Coast; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

### ***Advisory Agreements***

Prior to engaging Castle Coast to provide advisory services, each client will be required to enter into one or more written agreements with us, setting forth the services to be provided, the fees to be charged and the terms and conditions under which we will render our services ("Client Agreement"). Castle Coast will provide a copy of this Disclosure Brochure, Form CRS, and copies of the applicable Brochure Supplements (Form ADV Part 2B) to each client or prospective client prior to or upon execution of our written Client Agreement. The advisory relationship will continue until terminated by either party in accordance with the provisions of the executed Client Agreement(s).

### **Participation in Wrap Fee Programs**

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Our firm does not offer or sponsor a wrap fee program.

### **Regulatory Assets Under Management**

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As of December 31, 2023, our firm manages \$ 324,293,260 on a discretionary basis. Castle Coast does not provide any asset management services on a non-discretionary basis.

## **Item 5: Fees & Compensation**

### **Compensation for Our Advisory Services**

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#### ***Asset Management Fees***

The maximum annual asset management fee charged for this service will not exceed 1.40% of the assets in a client's account(s). Fees to be assessed will be outlined in the Client Agreement to be signed by the client. Annualized fees are billed on a pro-rata basis monthly in arrears and are calculated based on the time-weighted daily average of the market value of a client's managed account assets (including cash and cash equivalents) for the previous month. If a client has a margin account, our fees are calculated net of any margin balance. For any recommended Private Funds that clients invest in, the value of a client's investment in each Private Fund (as last received from

the issuer or custodian, as applicable) is included in the client's managed account asset value when Castle Coast calculates its asset management fee.

Fees are negotiable at the discretion of Castle Coast.

As authorized in the Client Agreement, asset management fees will be deducted directly from a client's managed account(s). At the beginning of each month, Castle Coast sends a billing statement to each client's custodian for payment. In rare cases, our firm will agree to directly invoice a client for our asset management fees. As part of this process, Clients understand the following:

- a) The client's independent custodian sends account statements to clients at least quarterly showing the market values for each security included in the account and all account disbursements, including the amount of the advisory fees paid to our firm; and
- b) Clients will provide written authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian.

Additionally, the advisory fee for assets invested in fee-based annuity products that are not held with the client's custodian, will be calculated by the insurance company issuing the policy and usually paid in arrears to Castle Coast.

### ***Financial Planning Fees***

Our firm charges on a flat fee basis for financial planning services. The total financial planning fee charged is based on the scope and complexity of our engagement with the client. Flat fees range from \$2,000 to \$50,000. Our firm will not require a fee exceeding \$1,200 when services cannot be rendered within 6 months.

On rare occasions and at our discretion, we will charge an hourly fee for a project based financial planning arrangement. The maximum hourly fee to be charged will not exceed \$500 per hour.

Financial planning fees are generally due within two weeks of entering into an agreement with Castle Coast. The Firm will send an invoice for the fees directly to the client for payment. At no time will Castle Coast bill \$1,200 or more, six months or more in advance of services rendered.

### ***Other Types of Fees & Expenses***

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Castle Coast's asset management and financial planning fees do not include third-party fees, including custodian fees, brokerage fees, margin interest, retirement plan administration and/or record-keeper fees, odd-lot differential fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes.

A client's account that is invested in mutual funds and/or ETFs will be subject to certain fees and expenses, which are imbedded in the price of the mutual fund or ETF. Mutual funds can also charge a distribution (12b-1 fee), and in some cases, a front-end load (commission) or deferred sales or surrender/redemption charges. In addition, some open-end mutual funds offer different share classes of the same fund, and one share-class can have higher expenses and fees than another share class. The most economical share class is dependent on several factors, including but not limited to the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expenses and fees vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all applicable fees and expenses. Transaction costs also factor into the overall costs when investing in mutual funds. Such costs can be charged by the broker-dealer executing trades for both purchases and redemptions. Some custodians offer certain higher share class



mutual funds for purchase at no transaction cost. Therefore, there are times when Castle Coast will purchase a more expensive share class whenever we have determined, based on facts and circumstances, that such a transaction would be the most economical for the client. We also will transfer a client into a lower cost share class at a later date if we determine it is beneficial for the client and that share class is available.

In addition, for new clients that hold any mutual funds upon account opening, Castle Coast will usually determine whether such mutual fund remains suitable for the client's current objective and if we believe it is, we will check to see if a lower cost share class is available and transfer the client's mutual fund holding into such share class if deemed in the client's best interest. However, there have been times in the past, and can be in the future, when we do not have access to lower cost share classes. This mainly happens when the client's custodian does not offer a lower cost share class for some or all of the mutual funds bought for and/or held in clients' accounts, or the investment amount does not meet the share class minimum investment requirement.

Private Funds, like mutual funds, also have internal fees, including but not limited to management fees, administrative fees, and performance/incentive fees, which are charged to the investors. These fees are outlined in each Private Fund's Offering Documents, which are provided to clients interested in investing and should be fully reviewed prior to investing.

Fee based variable annuities also carry fees that are in addition to Castle Coast fees. While the fees are outlined in an annuity's prospectus, they can include, but not limited to administrative fees, surrender charges, mortality expenses, transfer fees, distribution fees, contract fees, underwriting fees and fees associated with the underlining portfolio investments, such as mutual fund fees. Some of these additional fees are included in the expense ratio and reflected in the per share value of the annuity, while other fees are deducted from the client's assets invested in the annuity.

The fees charged to a client's account lower the overall performance of the account. The third-party fees and expenses described above are separate from and in addition to the fees charged by Castle Coast. Also, Castle Coast does not receive or share in any of the third-party fees described herein. It is important that clients understand how all these fees can affect investment returns over time. For further information, please refer to the SEC's Investor Bulletin at <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated>.

Clients can avoid paying layers of fees by making their own decisions regarding the investments made in their accounts. However, in doing that, clients would not have the benefit of receiving experienced investment advice provided by Castle Coast.

When providing financial planning services, our investment advisory representatives will recommend, dependent on a client's needs, certain insurance products (e.g., life, health, fee-based annuities). Because certain advisory representatives are also insurance agents, they will receive compensation when a client purchases such products. This creates a conflict of interest between the interests of the investment advisory representative and the interests of the clients. Clients have full discretion to accept or reject any of our recommendations at any time and are not required to implement such recommendations with Castle Coast, our representatives, or any insurance company with which our representatives are affiliated with. Please refer to Item 10 for further information.

## **Termination & Refunds**

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Either party may terminate the Client Agreement signed with our firm at any time. Upon notice of termination pro-rata advisory fees for services rendered to the point of termination will be charged. If advisory fees cannot be deducted, our firm will send an invoice for due advisory fees to the client.

Financial Planning clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For the purpose of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

## **Commissionable Securities Sales**

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Our firm and representatives do not sell securities for a commission.

### **Item 6: Performance-Based Fees & Side-By-Side Management**

Our firm does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of a client's managed account). Consequently, we do not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee.

However, the Private Funds that Castle Coast recommends to clients usually do charge performance/incentive-based fees, which are outlined in each Private Fund's Offering Documents. These documents are provided to clients interested in investing and should be fully reviewed prior to investing. Castle Coast does not receive any portion of these performance/incentive fees.

### **Item 7: Types of Clients & Account Requirements**

Our firm provides services to individuals and high net worth clients. Our requirements for engaging our firm are:

- Our firm typically requires a minimum account balance of \$2,000,000 for new clients and \$1,000,000 for clients that have been referred to us for our Asset Management service. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm. Exceptions will be made on a case-by-case basis.
- Written financial plans are generally assessed a minimum fee of \$2,000.

When Castle Coast provides investment advice to a client, we are deemed a fiduciary under certain federal regulations, and within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way the firm makes money creates conflicts of interest; however, as a fiduciary, Castle Coast and its supervised persons are required to always act in our clients' best interests, which means we must, at a minimum take the following steps:

- Meet a professional standard of loyalty and care when making investment recommendations.
- Always put our clients' interests ahead of our own when making recommendations and providing services.
- Disclose all conflicts of interest and how the Firm addresses such conflicts.
- Adopt and follow policies and procedures designed to help ensure that we give advice and provide services that remain in each client's best interest.
- Charge an advisory fee that is reasonable for our services.
- Not provide, or withhold, any information that could render our advice and/or services misleading.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Castle Coast may be a fiduciary to the plan. In providing our asset management services, the sole standard of care imposed upon us is to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Castle Coast will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the Client Agreement and/or in separate ERISA disclosure documents and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by Spectrum; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

### Methods of Analysis

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We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Quantitative Analysis:** The use of models, or algorithms, to evaluate assets for investment. The process usually consists of searching vast databases for patterns, such as correlations among liquid assets or price-movement patterns (trend following or mean reversion). The resulting strategies may involve high-frequency trading. The results of the analysis are taken into consideration in the decision to buy or sell securities and in the management of portfolio characteristics. A risk in using quantitative analysis is that the methods or models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis:** A securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers that can be found on reports such as balance sheets. The two techniques, however, will often be used together in order to examine a company's operations and evaluate its potential as an investment opportunity. Qualitative analysis deals with intangible, inexact concerns that belong to the social and experiential realm rather than the mathematical one. This approach depends on the kind of intelligence that machines (currently) lack, since things like positive associations with a

brand, management trustworthiness, customer satisfaction, competitive advantage and cultural shifts are difficult, arguably impossible, to capture with numerical inputs. A risk in using qualitative analysis is that subjective judgment may prove incorrect.

**Alternative Investment Analysis.** As outlined in Item 4 above, Castle Coast will recommend Private Funds to certain qualified clients. Both initial and periodic due diligence is performed on the investments, which can include analyzing various reports, audited financials, any regulatory filings, along with experience of general partner, manager, and key service providers. Such due diligence will be performed either by us, an experienced independent third party, or a combination of both. For any due diligence performed by a third-party, Castle Coast will receive and review reports on their research and findings.

## **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Asset Allocation:** The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals, and investment time frame. Asset allocation is based on the principle that different assets perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecast (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of economic resources sharing similar characteristics, such as riskiness and return. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are stocks (value, dividend, growth, or sector-specific [or a "blend" of any two or more of the preceding]; large-cap versus mid-cap, small-cap or micro-cap; domestic, foreign [developed], emerging or frontier markets), bonds (fixed income securities more generally: investment-grade or junk [high-yield]; government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets), and cash or cash equivalents. Allocation among these three provides a starting point. Usually included are hybrid instruments such as convertible bonds and preferred stocks, counting as a mixture of bonds and stocks. Other alternative assets that may be considered include: commodities: precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs); Collectibles such as art, coins, or stamps; insurance products (annuity, life settlements, catastrophe bonds, personal life insurance products, etc.); derivatives such as long-short or market neutral strategies, options, collateralized debt, and futures; foreign currency; venture capital; private equity; and/or distressed securities.

There are several types of asset allocation strategies based on investment goals, risk tolerance, time frames and diversification. The most common forms of asset allocation are strategic, dynamic, tactical, and core-satellite.

- **Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a

long-term investment horizon. Generally speaking, strategic asset allocation strategies are agnostic to economic environments, i.e., they do not change their allocation postures relative to changing market or economic conditions.

- **Dynamic Asset Allocation:** Dynamic asset allocation is similar to strategic asset allocation in that portfolios are built by allocating to an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Like strategic allocation strategies, dynamic strategies largely retain exposure to their original asset classes; however, unlike strategic strategies, dynamic asset allocation portfolios will re-balance their postures over time relative to changes in the economic environment.

**Duration Constraints, Rebalancing:** Our Firm adheres to a discipline of generally maintaining duration within a narrow band around benchmark duration in order to limit exposure to market risk. Our portfolio management team rebalances client portfolios to their current duration targets on a periodic basis. The risk of constraining duration is that the client may not participate fully in a large rally in bond prices.

**Fixed Income:** Fixed income is a type of investing or budgeting style for which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors are typically retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the reliable returns they offer. Fixed-income investors who live on set amounts of periodically paid income face the risk of inflation eroding their spending power.

Some examples of fixed-income investments include treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds, and international bonds. The primary risk associated with fixed-income investments is the borrower defaulting on his payment. Other considerations include exchange rate risk for international bonds and interest rate risk for longer-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, local municipalities, and major corporations. Fixed-income securities are recommended for investors seeking a diverse portfolio; however, the percentage of the portfolio dedicated to fixed income depends on your own personal investment style. There is also an opportunity to diversify the fixed-income component of a portfolio. Riskier fixed-income products, such as junk bonds and longer-dated products, should comprise a lower percentage of your overall portfolio.

The interest payment on fixed-income securities is considered regular income and is determined based on the creditworthiness of the borrower and current market rates. In general, bonds and fixed-income securities with longer-dated maturities pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the more time it has to lose its value and/or default. At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

**Long-Term Purchases:** Our firm may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before our Firm makes a decision to sell.

**Fee Based Variable Annuities ("VA"):** We only use Variable Annuities as a tax deferred investment option or as an estate planning tool in advisory accounts which do not pay a

commission. We will also only purchase fee based Variable Annuities for our clients when there is not a CDSC period or “surrender period”.

VAs can be subject to:

- Taxes and federal penalties for early withdrawal
- Earnings taxed at ordinary income tax rates
- Mortality expense to compensate the insurance company for insurance risks
- Fees and expenses imposed for the subaccounts
- Investment losses

**Exchange Traded Funds (“ETFs”):** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values (“NAV”) at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to the investor. Anyone can buy any ETF no matter where in the world it trades. This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

**Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in a variety of differing security types based on the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor’s proportionate ownership of the fund’s holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund’s per share net asset value (“NAV”) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock’s price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund’s NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification,

which is an investing strategy that generally sums up as “Don’t put all your eggs in one basket.” Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.; (b) Investors typically cannot ascertain the exact make-up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock’s price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund’s NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund’s capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit and cannot use losses to offset these gains.

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## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible that the stock market may decrease, and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, and that their assets are appropriately diversified in investments. Below is a list of main risks associated with investments in our clients’ portfolios. However, this is not an all-inclusive list, so it is important that clients take time to learn about all the risks involved in their investments, by reading offering documents and disclosure documents. In addition, clients are encouraged to ask our firm any questions regarding their risk tolerance.

**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country

that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs and mutual funds.

**Fee-Based Variable Annuities:** These types of investment products are exposed to the risks associated with operations of the issuing life insurance company, such as insurance pricing, asset liability management and interest rate risk, and other operational risks, along with the risks applicable to the types of investments in the annuity's underlining portfolio ("sub-account"). For example, an annuity that has mutual funds in the sub-account is subject to the risks of investing in a mutual fund. In addition, for some annuities, the allowable investments in a sub-account may be limited and, in some cases, certain riders can cause additional restrictions.

Risks and restrictions are outlined in each respective annuity's prospectus and statement of additional information and should be read carefully. Also refer to the SEC's Investor Bulletin at [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_variableannuities#Annuity\\_Fees](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_variableannuities#Annuity_Fees).

**Private Fund Risk:** Investing in private investment funds, including the Private Funds recommended by Castle Coast, involves various risk factors, including, but not limited to the potential for complete loss of principal, liquidity constraints, lack of transparency of underlying investments, lack of investment diversification, and risks associated with the underlying investments. Unlike liquid investments, such as publicly traded securities, private investment funds do not provide daily liquidity or pricing and in some cases limit or restrict redemptions.

Private investment funds represent speculative investments and involve a high degree of risk. An investor could lose all or a substantial portion of his/her investment. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in any private fund. An investment in a private investment fund is not suitable or desirable for all clients. Only qualified eligible clients can invest in private investment funds. An investment in a private investment fund is usually illiquid and there can be significant restrictions on transferring interests in a private investment fund.

A complete discussion of risks and other important information is set forth in each fund's offering documents, which should be reviewed fully prior to investing.

Additionally, private investment funds, including the Private Funds that Castle Coast recommends are usually exempt from registration as a security under Regulation D of the Securities Act of 1933, which means they are not regulated by the U.S. Securities and Exchange Commission, which carries risk. For more information, please refer to the SEC Investor Bulletin at [SEC.gov | Private Placements under Regulation D – Investor Bulletin](https://www.sec.gov/investor/Pages/InvestorBulletin.aspx).

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes



in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Equity Risk:** Equity securities are subject to the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy's equity securities can fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.

**Foreign Risk:** Investments in overseas markets (international securities) pose special risks, including currency fluctuation and political risks, and such investments can be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.

**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.

**Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.

**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.

**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.

**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 Private Funds are not. Illiquid securities are private securities or assets for which there is no public market. As a result, these securities are often subject to sale restrictions due to securities laws or contractual obligations. In addition, these investments can take several years to mature. During the investment holding period, there may be no cash distributions to the client.

## **Description of Material, Significant or Unusual Risks**

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Our firm generally invests client cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, our firm tries to achieve the highest return on client cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to our Asset Management services, as applicable.

Clients with margin accounts should be aware that there are additional risks that need to be considered when trading securities on margin. The risks associated with margin include, but are not limited to, the following:

- Clients can lose more assets than you deposit in the margin account. A decline in the value of securities that are purchased on margin can require you to provide additional funds to the brokerage firm that has made the loan to avoid the forced sale of those securities or other securities in a client's account.
- The lending brokerage firm is able to force the sale of securities in a client's account. If the equity in a client's account falls below the maintenance margin requirements under the law—or the lending brokerage firm's higher "house" requirements—the brokerage firm can sell the securities in a client's account to cover the margin deficiency. A client will also be responsible for any short fall in their account after such a sale.

It is important that clients take time to learn about the risks involved in trading securities on margin, and clients should consult with Castle Coast's advisers regarding any concerns they may have with their margin accounts.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities & Affiliations**

Neither Castle Coast nor any of its supervised persons are registered, or have an application pending to register as a:

- Broker-Dealer
- Registered Representative of a Broker-Dealer
- Futures Commission Merchant (FCM)
- Commodity Pool Operator (CPO)
- Commodity Trading Advisor (CTA)
- Associated Person of a FCM, CPO or CTA

Some advisory representatives of Castle Coast are also independently licensed to sell insurance products through various insurance companies. When providing financial planning services to clients, there are times when a representative will recommend, based on a client's needs, the purchase of certain insurance products. Should a Castle Coast client decide to purchase the insurance, then the Castle Coast representative will receive commissions for selling the insurance products(s). This activity creates a conflict of interest as the Castle Coast representatives have an incentive to recommend insurance products due to the compensation received. In addition to the commissions received, the representatives can also receive other incentive awards for the recommendation/sale of insurance products. Additionally, insurance products are limited to only those offered by insurance providers that have appointed independent agents. Also, certain investment advisory representatives are compensated by Castle Coast based on the revenue the firm earns from our clients. This creates a conflict of interest as it gives us an incentive to encourage clients to increase the assets in their accounts.

While the Castle Coast and our representatives always endeavor to put the interest of clients first as a part of our overall fiduciary duty to clients, our clients should be aware that the receipt of commissions and additional compensation can affect the representative's decision-making process when making recommendations. Importantly, Castle Coast clients can accept or reject any recommendations made by us at any time and are not required to implement such recommendations through the Castle Coast or our representatives. To further address the conflicts, Castle Coast periodically reviews recommendations made to our clients by our advisory representatives to assess whether they are based on an objective evaluation of each client's risk profile and investment objectives rather than on the receipt of any commissions and/or additional compensation. We also disclose, mainly via our Form ADV Part 1, Part 2A, Part 2Bs for each representative and Form CRS, how the firm and our advisory representatives are compensated, along with the conflicts of interest involving any advice or service provided.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to always act solely in the best interest of each of our clients. Our fiduciary duty is the underlying principle for our firm's Code of Ethics ("Code"), 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 always comply with all federal and state securities laws.

The Code consists of the following core principles and applies to all employees within our firm:

- 1) The interests of clients will be placed ahead of the firm's or any employee's own investment interests.
- 2) Employees are expected to conduct their personal securities transactions in accordance with the firm's personal trading policies and will strive to avoid any actual or perceived conflict of interest with the client.
- 3) Employees will not take inappropriate advantage of their position within the firm.
- 4) Employees are expected to act in the best interest of each of our clients.
- 5) Employees are expected to comply with federal securities laws.

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. Our firm recognizes that the personal investment transactions of our representatives demand 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 employees, it is logical, and even desirable, that there be investments in some of the same securities, including Private Funds. To that end, employees have in the past and may in the future trade in securities for their own accounts that the firm trades in for, or recommends to asset management client accounts. Castle Coast understands that this creates a conflict of interest, so to mitigate the conflict, Castle Coast has implemented internal controls to help ensure that employees always comply with our Code. These include but are not limited to requiring pre-approval for transactions in certain securities, including any Private Funds or other limited offerings, reporting transactions quarterly and holdings annually in all Covered Securities (as term is defined in our Code).

A complete copy of our Code is available upon request either by sending a written request to our main address or calling us at the phone number on the cover page of this document.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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Our firm does not maintain physical custody of client assets (although we are deemed to have constructive custody of certain client assets, as described in Item 15 below). Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a qualified custodian who will hold client assets and execute transactions on terms that we believe are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Capability to execute, clear, and settle trades
- Competitiveness of price of services
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services
- Ability to provide access to investment products
- Record keeping services
- Custody services
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm recommends that our clients open an account with Charles Schwab & Co., Inc. ("Schwab")<sup>2</sup> to maintain custody of their assets. As a registered broker-dealer and a member of the Securities Investor Protection Corporation (SIPC), Schwab is subject to certain regulations intended to protect assets held in brokerage accounts maintained at Schwab.

Schwab Advisor Services serves independent investment advisory firms like Castle Coast and includes the custody, trading, and support services of Schwab. While Castle Coast recommends that our clients use Schwab as custodian/broker, it is the decision of the client whether to do so and to open an account with Schwab by entering into an account agreement directly with them. Castle Coast does not open accounts for clients, but we do assist by facilitating the process.

Having Schwab act as custodian for client assets provides us access to a wide range of services that help us serve our clients. Castle Coast recommends Schwab to clients as the custodian and broker of record for their accounts. There is no direct link between the Firm's participation in Schwab's program and the investment advice given to our clients; however, Castle Coast receives certain economic benefits through participation in the program that are typically not available to Schwab retail investors. These benefits can include the following products and services: discounts for UPS mailing services and the use of financial planning and asset allocation software; access to various tools that help the firm in client logistics; receipt of duplicate client statements and confirmations; access to a trading desk serving firm participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to continuing education for CFP credits; access to an electronic communications network for client order entry and account information; benefits that Castle Coast passes along to its clients, such as access to mutual funds with no or low transaction fees; ability for direct deposit wires to client-linked bank accounts pursuant to a written standing letter of authorizations at no charge; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors.

Participation in the Schwab platform enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions, or other fees on trades that are executed or settled into the client's custodial account. Transaction fees are negotiated with Schwab and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise. In addition to transaction fees/commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for any trade that Castle Coast places with a different broker-dealer for execution but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab custodial account. These fees are in addition to the commissions a client pays the executing broker-dealer. Because of this additional expense, Castle Coast usually has Schwab execute all trades for clients that have their account(s) held at Schwab.

Schwab also makes certain research and brokerage services available to Castle Coast at no additional cost to our firm. Research products and services provided by Schwab can include: research reports on recommendations or other information about particular companies or industries; economic

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<sup>2</sup> "These materials have been independently produced by Castle Coast. Castle Coast is independent of, and has no affiliation with, Charles Schwab & Co., Inc. or any of its affiliates ("Schwab"). Schwab is a registered broker-dealer and member SIPC. Schwab has not created, supplied, licensed, endorsed, or otherwise sanctioned these materials nor has Schwab independently verified any of the information in them. Castle Coast provides you with investment advice, while Schwab maintains custody of your assets in a brokerage account and will effect transactions for your account on our instruction."

surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab to our Firm in the performance of our investment decision-making responsibilities.

Some of the products and services made available by Schwab through its program benefit the firm but, in some cases, do not benefit our clients. These products or services are intended to help Castle Coast manage and further develop our business and include: (i) educational conferences and events, (ii) technology, compliance, legal, and business consulting, (iii) publications and conferences on practice management and business succession, and (iv) access to employee benefits providers, human capital consultants and insurance providers. See additional information under “Additional Services and Benefits” below.

In some cases, Schwab provides these services and in other cases, will arrange for a third-party vendor to provide them. There are also times when Schwab will discount or waive its fees for some of these services or pay all or a party of a third-party’s fees.

The availability of these products and services from Schwab benefits Castle Coast because the firm does not have to produce or purchase them. Importantly though, the benefits received by Castle Coast through participation in the program do not depend on the amount of brokerage transactions directed to Schwab.

As part of our fiduciary duty to our clients, our firm will always endeavor to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm’s choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab and have determined that the recommendation is in the best interest of our firm’s clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our clients may pay a transaction fee or commission Schwab that is higher than another qualified broker dealer might charge to perform the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Additional Services and Benefits**

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Our firm also receives from Schwab certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment advisers participating in the program. Schwab provide the Additional Services to Castle Coast in its sole discretion and at its own expense, and Castle Coast does not pay any fees to Schwab for the Additional Services.

Castle Coast's receipt of Additional Services raises conflicts of interest. In providing Additional Services to the firm, Schwab most likely considers the amount and profitability to Schwab of the assets in, and trades placed for, Castle Coast's client accounts maintained with them. Consequently, in order to continue to obtain the Additional Services and benefits from Schwab, Castle Coast has an incentive to recommend to our clients that their assets be held in custody with Schwab and to place transactions for clients' accounts with them. Castle Coast's receipt of Additional Services and Benefits does not diminish our duty to act in the best interests of our clients, including to seek best execution of trades for client accounts.

### **Best Execution**

Through our Client Agreement, Castle Coast has the discretion to place buy and sell orders with or through such brokers or dealers as it deems appropriate. Our general policy is to place client trades with the client's broker custodian (e.g., Schwab) and we will continue to do so as long as we feel that the broker custodian is providing the best overall deal for the client ("best execution").

While we strive to achieve the best execution possible for client securities transactions, this does not require the firm to solicit competitive bids and we do not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of any research provided, their execution capability, commission rates, and responsiveness. Importantly, Castle Coast is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker, the cost of which are included in the commission rate. As part of our best execution obligation, we will at least annually evaluate our trading process and the broker/custodian(s) utilized. Our evaluation will consider the full range of brokerage and custodian services offered by Schwab, which can include, but is not limited to execution prices, commissions/transaction costs, research offered, the ability to aggregate trades, the firm's capital strength and stability, reliable and accurate communications, and settlement processing, and use of automation. We also consider the benefits received by clients and those received by the firm.

### **Client Transactions in Return for Soft Dollars/Benefits**

Our firm does not have any third-party soft dollar arrangements in place. However, as described above and in item 14 below, Castle Coast does receive certain benefits from Schwab as part of their advisory platform.

### **Brokerage for Client Referrals**

Our firm does not receive brokerage for client referrals.

### **Special Considerations for ERISA Clients**

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

that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Client-Directed Brokerage**

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Our firm does not allow client-directed brokerage outside our recommendations.

### **Aggregation of Purchase or Sale**

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When possible and deemed by Castle Coast to be in the best interests of clients, we will aggregate client trades for the same security together and place as a block trade. For block trades that are filled in entirety, each participating account will receive the average share price. If the block trade is only partially filled, we will allocate the securities traded among participating clients prorate unless the partial fill is not meaningful; then we will allocate in a manner that the Firm considers equitable to the participating accounts.

### **Allocation of Private Fund Investments**

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From time to time, Castle Coast will recommend investments in Private Funds to certain clients. Mainly, such investments are available only to a limited number of sophisticated investors who meet the definitions of “accredited investor” under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and “qualified client” under the Investment Advisers Act of 1940. Additionally, Private Funds are considered “limited offerings”, since they only accept a limited amount of funds for investment.

Castle Coast only recommends these types of investments to qualified clients that have indicated an interest in investing in these types of securities. However, because Private Fund offerings are limited (i.e., only a certain aggregate dollar amount available to invest), there can be times when the dollar amount available for investment is small. When determining which qualified clients should receive a recommendation to invest in a Private Fund, Castle Coast will consider several factors, including but not limited to a client’s sophistication, risk tolerances, qualifications, investment objectives, and current investment in other private funds (i.e., risk exposure). Our goal is to always allocate in a fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds is mainly subjective and not all qualified clients will be provided with an investment opportunity. Additionally, there are times when a Castle Coast employee wants to invest in certain Private Funds that are recommended to clients. When this occurs, a conflict exists and to mitigate the conflict employees are required to receive prior written approval by the CCO.

## **Item 13: Review of Accounts**

Managed accounts are reviewed on an on-going basis by the firm’s investment adviser representatives. Reviews are conducted to check for consistency with the client’s Investment Guidelines and to determine if any adjustments need to be made. Our representatives also review managed accounts on an annual basis with clients. The nature of these reviews is to go over the account’s investments and to determine if there have been any changes to the client’s Investment Guidelines. Client account reviews also occur upon request by the client.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our Firm does not provide ongoing services to financial



planning clients, but is willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

## **Item 14: Client Referrals & Other Compensation**

### **Schwab Arrangement**

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Our firm recommends Schwab to clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice given to clients, although we receive economic benefits through our participation in the program that are typically not available to Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.. Some of the products and services made available by Schwab through the program benefit our firm but do not benefit our client accounts. Please refer to Item 12 above for further detail.

The benefits received by our firm or our personnel through participation in the Schwab program do not depend on the amount of transactions directed to Schwab. As part of our fiduciary duties to our clients, we always endeavor to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a conflict of interest and can indirectly influence our firm's choice of Schwab for custody and brokerage services.

### **Referral Fees**

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Castle Coast does not pay any compensation to any third-parties for the referral of potential clients to our firm. However, as outlined in Item 10 above, certain investment advisory representatives are compensated by Castle Coast based on the revenue the firm earns from our clients. This creates a conflict of interest as it gives our representatives an incentive to encourage clients to increase the assets in their accounts. Please refer to Item 10 for information on how the firm addresses this conflict.

## **Item 15: Custody**

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have "constructive" custody of certain client assets when given the authority to withdraw assets from client accounts to pay our advisory fees and as further described below. All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to

carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement**

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On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with the account custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### **Item 16: Investment Discretion**

For our asset management services, Castle Coast has discretionary authority to determine, without first obtaining client's permission, the appropriate model assignment for each account including future changes, and the following discretionary authority for each transaction: 1) the type of securities to be bought and sold, 2) the dollar amounts of the securities to be bought and sold, and 3) whether a client's transaction should be combined with those of other clients and traded as a "block." Clients grant us this discretionary authority by signing the Client Agreement.

For clients that are receiving financial planning services, Castle Coast makes recommendations to the client regarding the purchase or sale of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject the Firm's recommendations and to implement the recommendations with Castle Coast or any other firm of client's choosing.

## **Item 17: Voting Client Securities**

Our firm does not accept the proxy authority to vote proxies on securities held in - clients' accounts. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies for clients are sent to our firm, we will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations. In addition, Castle Coast will not be responsible for making any elections in regard to any mergers, acquisitions, tender offers, bankruptcy proceedings, class actions, or other corporate accounts.

Castle Coast will vote proxies for ERISA clients where the Firm serves as a fiduciary and has been specifically delegated the responsibility to vote proxies in the client's ERISA plan documents.

A copy of our Proxy Voting Policy is available upon request by either calling or writing us.

## **Item 18: Financial Information**

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take physical custody of client funds or securities.
- Our firm has never been the subject of a bankruptcy proceeding.