



# NEWPORT COAST SECURITIES, INC.

Part 2A

Cover Page

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*Newport Coast Securities, Inc., a Registered Investment Advisor* MEMBER FINRA/SIPC

DBA Newport Coast Asset Management

*Please note that registration does not imply a certain level of skill or training.*

March 26, 2014

Please note that this brochure has not been approved by the Commission or any state securities authority.  
Item 2. Material Changes

Please note that there have not been any material changes since the last annual update for Newport Coast Securities, Inc.

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#### Item 4. Advisory Business

Newport Coast Securities, Inc. (the “Adviser”) provides investment advisory services to its clients on a discretionary and non-discretionary basis. The advisory services include, among other things, providing advice regarding asset allocation and the selection of investments. Account management or supervision is guided by the stated objectives of the client. In addition, the Adviser considers the client’s risk profile and financial status prior to making any recommendations. The Adviser offers both financial planning services and consulting services. The Adviser does not specialize in any particular type of advisory services. The current assets under management for Newport Coast Securities, Inc. are \$81,000,000.

#### Item 5. Fees and Compensation

The Adviser is compensated for investment management or supervisory services based on clients’ assets under management. Fees are paid quarterly in arrears and are due on the fifteenth day of the calendar quarter, and are based on the account’s asset value as of the last business day of the prior calendar quarter. Fees are prorated for accounts opened during the quarter. Fees for asset management services are negotiable and generally range 1.0% to 2.75% per year of the assets under management. Fees are not allowed to exceed 3% annually. Fees are typically based on the amount of assets under management and the range of services being provided. The Adviser currently does not charge any clients performance fees however it is authorized to do so provided the compensation arrangement is described in the client agreement and specifically approved by the Compliance department for the Adviser. Such fees generally will range from 1% annual fee with 20% performance participation to 1.5% annual fee with 15% performance participation. No participation fee shall be charged until the completion of 13 months after the opening of the account. Since fees are payable after services are provided, there are no unearned fees and the client is not due a refund upon early termination of an investment advisory contract. However the Adviser’s fees are prorated to the date of termination. The Adviser bills clients as well as request that the custodian deduct fees directly from the client’s accounts

The account custodian may charge fees, which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may have been subject to deferred sales charges and 12 (b) (1) fees and other mutual fund annual expenses as described in each fund’s prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources. Since the Adviser is also a registered broker-dealer all securities accounts held at the broker-dealer will incur brokerage and clearing costs, including confirmation and postage and handling fees associated with each securities transaction which are customarily charged by the broker-dealer.

The Client’s account will be charged a \$75.00 annual performance-reporting fee. This fee will be deducted from the client’s account on a quarterly basis at a rate of \$18.75. The Advisor Select Plus platform provides consolidated quarterly performance reports and

statements. This is not optional. To establish an advisory account the account must reside on the platform for regulatory and compliance monitoring as well as for performance calculation, report generation and web access. Performance reports will be sent to client via e-mail. If no e-mail address is provided the quarterly performance statements will be mailed to the client using U.S.P.S. Clients will have a period of five (5) business days from the date of signing the agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, clients may terminate the agreement by providing the Adviser with written notice prior to delivery of the plan or completion of the service.

The Adviser may provide financial planning and consulting services consistent with clients' financial and tax status, in addition to their risk profile and return objectives. The Adviser may also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Clients are charged an hourly fee or fixed fee for financial planning and consulting services. Hourly fees are due and payable as services are performed. Flat fees are due and payable upon completion of the plan or services or as stated in the client agreement. Under certain circumstances a deposit may be required for fixed fee services and the balance upon completion of the plan or service. Fees are based on the complexity of the plan or service, project and/or the range of services provided. Hourly fees generally range from \$75 to \$300 with a minimum of 2 hours. Fixed fees vary widely depending upon the number and range of services provided to the client. These fees typically range from \$200 to \$15,000 per billing period. Additionally, educational seminars are billable at the Adviser's hourly rate or fixed fees established by the Adviser, as well as other fees to cover the cost of any materials provided to the participants that may apply. Financial plans produced will typically be delivered within six months or sooner of the date of the Agreement. The Adviser considers fees for financial planning or a consulting project to be earned as progress is realized toward creation of the plan or completion of the service.

The Adviser receives compensation pursuant to its agreements with third-party advisers for introducing clients to third-party advisers and for certain ongoing services provided to clients. This compensation is disclosed to the client in a separate disclosure document and is typically equal to a percentage of the investment advisory fee charged by that third-party adviser or a fixed fee. The disclosure document provided by the Adviser will clearly state the fees payable to the Adviser and the impact to the overall fees due to these payments. Since compensation the Adviser receives may differ depending on the agreement with each third-party adviser, the Adviser may have an incentive to recommend one third-party advisers over another, if the compensation arrangements are more favorable. Since the independent third-party adviser may pay the fee for the investment advisory services of the Adviser, the fee paid to the Adviser is not negotiable, under most circumstances. Fees paid by clients to independent third-parties are established and payable in accordance with the Form ADV Part II or other equivalent disclosure document of each independent third-party adviser to whom the Adviser refers its clients, and may or may not be negotiable, as disclosed in the disclosure documents of the third-party adviser.

Clients who are referred to third-party investment advisers will receive full disclosure, including services rendered and fee schedules, at the time of the referral, by delivery of a copy of the relevant third-party adviser's Form ADV Part II or equivalent disclosure document at the same time as the Form ADV Part II or equivalent disclosure document of the Adviser. In addition, if the investment program recommended to a client is a wrap fee program the client will also receive the Schedule H or equivalent wrap fee brochure provided by the sponsor of the program. The Adviser will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to the Adviser and its advisory associates. The Adviser may also employ/engage solicitors to whom it will pay cash or a portion of the fees paid by investors referred to it by those solicitors. All solicitors who refer clients will comply with the requirements of the jurisdiction where they operate. When applicable the solicitor will be licensed as investment advisers or notice filed in the applicable jurisdiction.

The Adviser's brokerage-related activities generate the majority of the firm's revenues. The Adviser is a broker-dealer offering various types of products including equities, fixed income securities, options, mutual funds, alternative investments and insurance products. In their capacity as registered representatives, associated persons of the Adviser may recommend securities or other products and receive normal transactions commissions or other compensation. In addition, the Adviser and its associated persons may receive commissions in lieu of investment advisory fees. Thus, a conflict of interest may exist between the interests of the associated persons and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of the associated persons or effect any transactions through the associated persons if they decide to follow the recommendations.

#### Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser currently does not charge any clients performance fees however it is authorized to do so provided the compensation arrangement is described in the client agreement and specifically approved by the Compliance department for the Adviser. Such fees generally will range from 1% annual fee with 20% performance participation to 1.5% annual fee with 15% performance participation. No participation fee shall be charged until the completion of 13 months after the opening of the account.

#### Item 7. Types of Clients

The Adviser has both retail and institutional clients; however generally advisory services are offered to retail clients based upon the client's investment objectives, risk tolerance and analysis of their general financial situation.

The Adviser requires a minimum of \$25,000 to establish a new advisory account; however, under very limited circumstances the minimum may be waived at the sole discretion of the Adviser. In addition, the Adviser may continue to service existing accounts that have values that have fallen below the minimum.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser provides a comprehensive range of services to clients with complex financial needs and who generally have in excess of \$1,000,000 in invested assets. The services will include but are not limited to asset management on a discretionary or non-discretionary basis, and financial planning and consulting services. The services may include but are not limited to providing advice regarding asset allocation, analyzing alternative investments, researching hard to value securities, making investment selections, providing general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning. The Adviser considers the client's risk profile, return objectives, and financial and tax status prior to making any recommendations.

When multiple services such as investment management, financial plan implementation or financial planning services are offered, there is a potential conflict of interest since there is an incentive for the party offering financial planning services to recommend products or services for which the Adviser, or a related party, may receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of the Adviser or to effect any transactions through the Adviser if they decide to follow the recommendations.

Investment adviser representatives may suggest that clients implement recommendations through the Adviser in its capacity as a broker dealer. If a client elects to work with an investment adviser representative, the Adviser is the only broker dealer option. Investment adviser representatives would receive normal and customary commissions as sales agents resulting from these securities transactions, presenting investment adviser representatives with a potential conflict of interest.

Furthermore, in implementing a plan through relationships maintained by investment adviser representatives, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. As a broker dealer the Adviser can set commission rates. Clients are advised that they are under no obligation to implement the plan or its recommendations through the investment adviser representatives in their capacities as registered representatives.

The Adviser has entered into agreements with various third-party advisers. Under these agreements, the Adviser offers clients various types of programs sponsored by these advisers. All third-party investment advisers to whom the Adviser will refer clients will be licensed as investment advisers by their resident state and any applicable jurisdictions or registered investment advisers with the Securities and Exchange Commission. After gathering information about a client's financial situation and investment objectives, the Adviser will assist the client in selecting a particular third-party program.

Through its investment adviser representatives the Adviser may provide educational seminars for participants in various retirement plans. Topics typically cover various investment concepts, investment allocation, and other general subjects but may involve

the investment options available within the plan. Retirement plan related consulting to individual plan participants is not differentiated from other financial consulting.

My Own 401K Advisor is an investment advisory service that provides one-on-one advice to people with 401K accounts. The investment adviser representative works with the client to provide a Risk Profile and a portfolio asset allocation that matches the most appropriate funds available in their 401K with their Risk Profile. The IAR follows up with clients at least quarterly. The “My Own 401K Advisor” platform provides a number of other retirement planning services:

- 1) Safety Net Alerts-providing a “safety net” alert service designed to help the client avoid the most significant market declines.
- 2) Retirement Projections-analyzing client retirement assets to evaluate whether their nest egg will provide for their golden years.
- 3) Retirement Income Planning – using specialized portfolio management techniques to balance safety and reliability with the clients need for maximum income.
- 4) Investment Management Services for Assets outside your 401K – investment management for all client assets.
- 5) Asset Aggregation Services – through the Grendall service we can provide all client bank accounts, brokerage accounts, insurance contracts, IRA’s, etc. maintained in the client’s personal on-line portal.
- 6) Retirement Account Consolidation – we can help to consolidate these old accounts and help the client manage them efficiently, consistent with the same Risk Profile that guides the client’s 401K investments.

Please note that investing in securities involves risk of loss which client’s should be prepared to bear.

#### Item 9. Disciplinary Information

Each the following matters arose due to transactions by a registered representative while the representative was not registered in the State:

Ohio Cease and Desist Order - Docket/Case Number - 00-436 Occurrence #990059 Initiated 11/22/00; Settled 12/26/00. Cease and Desist Order related to securities sales to an Ohio resident by a Grant Bettingen, Inc. registered representative. Grant Bettingen, Inc. applied for an Ohio Securities Dealer License on 12/21/99 and disclosed that securities transactions had occurred and as a result the Ohio Dealer License was denied and a Cease and Desist Order was issued on December 26, 2000 with no fine imposed. Grant Bettingen, Inc. was approved in the State of Ohio on 05/30/06.

Vermont Order Consent - Docket/Case Number - 97-037S Occurrence #237501 Initiated



6/27/97; Settled 8/5/97. Consent order related to transacted securities business in Vermont as an unregistered Broker-Dealer. Grant Bettingen, Inc. consented to entry of Consent Order on August 5, 1997 with a \$250 penalty and \$581 in costs. Grant Bettingen, Inc. was approved in the State of Vermont on 08/11/97.

South Dakota Order Occurrence #1434242 Grant Bettingen, Inc. applied for registration in the State of South Dakota on 09/04/2008 and on 10/06/2008 the State of South Dakota issued an order against Grant Bettingen, Inc. for failing to register a person designated to act in a supervisory capacity in South Dakota. Grant Bettingen, Inc. did not receive any correspondence regarding this matter prior to the order and immediately registered a principal in the State of South Dakota. The State of South Dakota vacated the order on 10/24/2008.

Nevada Order – Docket/Case No. 110-185-BLM Occurrence 1558104 An issuer of a Regulation D private placement offering approved at Newport Coast Securities failed to file a notice of intent to rely on an exemption to conduct sales in Nevada and alleged failure to assure compliance with Nevada Revised Statutes Chapter 90. Without admitting or denying the fact Newport Coast Securities consented to filing of an Order and payment of \$4,000 costs of investigation and \$1,000 fee for inspection of records on April 13, 2011.

REGULATORY ACTIONS – Each matter arose prior to new ownership and supervisory principals for Grant Bettingen, Inc.

Letter of Acceptance, Waiver and Consent- E0220050073 Event Occurred: 03/07/2007 Occurrence #1343206 Grant Bettingen, Inc. executed an AWC in March 2007 citing that Grant Bettingen, Inc. participated in private placement offerings of stock in which the firm failed to transmit investor funds to an unaffiliated bank to hold in escrow until the contingency was met. In conjunction with the AWC, a monetary fine of \$10,000 was paid by Grant Bettingen, Inc.

SEC Consent Order- File 3-13430 Event Occurred: 03/06/2009 Occurrence #1446384 Grant Bettingen, Inc. without admitting or denying the finding consented to a SEC order in March 2009 citing that Grant Bettingen, Inc. failed to reasonably supervise a representative in connection with a Private Placement Offering. Grant Bettingen, Inc. was censured and paid disgorgement in the amount of \$88,675.00 and interest of \$8,460.51.

Letter of Acceptance, Waiver and Consent- 2009017333501 Event Occurred: 05/22/2012 Occurrence #1611814 Newport Coast Securities, Inc. executed an AWC in May 22, 2012 citing that Newport Coast Securities, Inc. failed to establish and implement policies and procedures that could be reasonably expected to detect and cause the reporting of suspicious transactions. In conjunction with the AWC, a monetary fine of \$100,000 was paid by Newport Coast Securities, Inc. and new AML policies and procedures were established and implemented.

#### Item 10. Other Financial Industry Activities and Affiliations

The Adviser and the investment adviser representative are acting as both investment adviser and broker-dealer for the Adviser account and is receiving compensation for acting in both capacities. The Adviser and investment adviser representative have a fiduciary duty to provide the client with unbiased advice, but also have a self-interest in receiving and fees and charge transactions effected. As a result, a conflict of interest exists that could affect the objectivity of recommendations by the Adviser and the investment adviser representative. The Adviser and investment adviser representatives recommendations are limited to securities offered through the Adviser and there may be other suitable securities and investment products available through other broker-dealers.

FOLIOfn, Inc. is a technology-driven financial services company, online brokerage and custodian firm founded in 1998 by a former Commissioner of the US Securities and Exchange Commission. FOLIO Advisor consolidates brokerage, custody, trading and compliance services in one simple-to-use platform. It provides customized investment portfolios, asset allocation and, model management services. FOLIO Advisor is also a powerful wrap program and portfolio management system. The Advisor will refer clients to FOLIOfn to establish an account at FOLIOfn. All securities will be custodied at FOLIOfn. The Advisor will have access to FOLIOfn platform to manage the clients account in a variety of ways, including the following: you can create your own customized Folios based on your and your clients' preferences, or you can utilize the model Folios we've created. FOLIO Advisor provides stock, social and sector exclusions, tax management, tax loss harvesting, portfolio trading, daily compliance reports, such as trade blotters, cancelled trade reports, new account reports, and employee trading, fully compliant proxy voting, performance reporting and a "filing cabinet" for statements, confirms and tax documents. You can create investment solutions using multiple managers and strategies that best meet your clients' needs.

#### Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

In their capacity as registered representatives, associates of the Adviser may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other

such plans as compensation for administrative services, representing a separate financial interest. As such, a conflict of interest may exist with respect to recommendations to buy or sell securities. In all cases, transactions are effected in the best interests of the client. The Adviser does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by associated persons.

Associated persons may own an interest in or buy or sell for their accounts the same securities, which may be purchased or sold in the accounts of advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored. Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell specific securities for their accounts based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

#### Item 12. Brokerage Practices

The Adviser and the investment adviser representative are acting as both investment adviser and broker-dealer for the Adviser account and is receiving compensation for acting in both capacities. The Adviser and investment adviser representative have a fiduciary duty to provide the client with unbiased advice, but also have a self-interest in receiving and fees and charge transactions effected. As a result, a conflict of interest exists that could affect the objectivity of recommendations by the Adviser and the investment adviser representative. The Adviser and investment adviser representatives recommendations are limited to securities offered through the Adviser and there may be other suitable securities and investment products available through other broker-dealers.

The Adviser does not participate in any soft dollar arrangements.

In placing its orders to purchase or sell securities in accounts, principals of the firm may elect to aggregate orders. In so doing, the firm will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of adviser's investment advisory agreement with each client for which trades are being aggregated; no advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction; adviser will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement; notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for

different allocation is explained in writing and is approved in writing by adviser's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.

The Adviser's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account; funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement; adviser will receive no additional compensation of any kind as a result of the proposed aggregation; and individual investment advice and treatment will be accorded to each advisory client.

The Adviser does not use client brokerage to compensate representatives for client referrals. Client accounts that are managed by the investment adviser representative must be custodied at Newport Coast Securities, Inc., which is a dual registrant and clients may not be able to obtain the most favorable execution for client transactions and the account may not have the lowest custody and transaction costs than provided by another broker-dealer.

#### Item 13. Review of Accounts

Investment adviser representatives perform reviews of all investment advisory accounts no less than quarterly. Accounts are reviewed for consistency with the investment strategy and performance among other things. Reviews may be triggered by changes in an account holder's personal, tax, or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by an investment adviser representative. Brokerage statements are generated no less than quarterly. These statements are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. Financial plans are reviewed only upon request unless the Adviser is retained to update the plan on a continuous basis.

#### Item 14. Client Referrals and Other Compensation

The Adviser does not have any arrangements which allow for the Adviser to be compensated for client referrals nor are there any related persons of the Adviser that have this type of arrangement. The Adviser also does not receive any economic benefit, including sales awards or prizes, from a person who is not a client for providing advisory services to clients.

#### Item 15. Custody

Clients of the Adviser will receive account statements directly from the qualified custodian that maintains the clients account. Clients should carefully review the account statements that they receive from the qualified custodian. The investment adviser representative may provide account summaries from the internal platform for review purposes with the client and each client is encouraged to compare these with the account statements that are received from the custodian.

#### Item 16. Investment Discretion

The Adviser does have discretionary authority over some account(s), and receives authorization to purchase and sell securities on a discretionary basis without contacting client for prior approval, and to act for the client in all matters necessary to perform advisory services for such Account(s). Discretionary authority is given in the client account agreement only. In making investment determinations with respect to the account, the Adviser will rely on the information contained in the Client Profile. This authorization shall remain in full force and effect until the client agreement is terminated by client in writing and received by the Adviser. This authorization shall be binding on the personal representatives, heirs, and executors of client.

#### Item 17. Voting Client Securities

The Adviser will not vote or advise clients about how to vote proxies for securities held in client's accounts. The custodian shall promptly send clients all proxies and related shareholder communications for the securities held in client's accounts.

#### Item 18. Financial Information

Newport Coast Securities, Inc. does not require prepayment of fees of more than \$1,200 in fees per client. Newport Coast Securities, Inc. has not been the subject of a bankruptcy petition during the past 10 years.