

# **Coastal Capital Group, Inc.**

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**March 20, 2018**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Coastal Capital Group, Inc. If you have any questions about the contents of this brochure, contact us at (978) 777-3116. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Coastal Capital Group, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV 2 is divided into two parts: *Part 2A (the "Disclosure Brochure")* and *Part 2B (the "Brochure Supplement")*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about advisory personnel of Coastal Capital.

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

### Material Changes

Since the last annual updating amendment dated February 9, 2017, the following material changes have been made:

Item 4: Reclassified a portion of regulatory assets under management to assets under advisement.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Coastal Capital.

At any time, you may view the current Disclosure Brochure online at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD #186511. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (978) 777-3116.

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## **Item 4 Advisory Business**

### **A. Advisory Business**

Coastal Capital Group, Inc. ("Coastal Capital" or the "Advisor") is a registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"), which is organized as a Corporation under the laws of the Commonwealth of Massachusetts. Principals and Supervised Persons of Coastal Capital have been providing advisory services since 2005 through its broker-dealer. In April 2015, Coastal Capital Group, Inc. was formed as a separate Corporation and became a registered investment advisor with the SEC. Coastal Capital is primarily owned by David A. Caruso (Founding Chairman / Managing Director) and James F. Horrocks (Managing Director).

### **B. Advisory Services Offered**

#### **Investment Management Services**

Coastal Capital provides customized investment advisory solutions for its Clients. This is achieved through continuous personal Client contact and interaction while providing discretionary investment management services. Coastal Capital works with each Client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create a portfolio strategy. Coastal Capital will then construct a portfolio, consisting of low-cost, diversified mutual funds and/or exchange-traded funds ("ETFs") to achieve the Client's investment goals. The Advisor may also utilize individual stocks, individual bonds and other types of investments, as appropriate, to meet the needs of its Clients.

Clients may limit Coastal Capital's discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing the firm with the restrictions and guidelines in writing.

As part of the portfolio management services, Coastal Capital may use one or more sub-advisers to manage a portion of a client's account(s) on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. Coastal Capital will regularly monitor the performance of the accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without prior approval from the client. Coastal Capital may pay a portion of our advisory fee to the sub-adviser(s) used; however, the client will not pay Coastal Capital a higher advisory fee as a result of any sub-advisory relationships.

In addition to other types of investments, Coastal Capital may invest client assets according to one or more model portfolios developed by an affiliated investment manager. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models.

#### **Financial Planning Services**

Coastal Capital will typically provide a variety of financial planning services to individuals and families ranging from broad-based financial planning to consultative or single subject planning, pursuant to a written financial planning agreement. Services are offered in several areas of a Client's financial situation, depending on their goals, objectives and financial situation.

Generally, financial planning services will involve preparing a financial plan or rendering a financial consultation based on the Client's financial goals and objectives. Coastal Capital will meet with clients to gather information about their financial circumstances and objectives in order to prepare such a plan. This planning or consulting may encompass one or more areas of need, including, but not limited to investment planning, retirement planning, personal savings, education savings and other areas of a Client's financial situation.

A financial plan developed for or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations may be made that the Client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs. The Client is under no obligation to implement the recommended financial plan, or to use Coastal Capital's advisory services to implement the financial plan. The client may act on Coastal Capital's recommendations by placing securities transactions with any brokerage firm.

Coastal Capital may also refer Clients to an accountant, attorney or other specialist, as appropriate for their unique situation. For certain financial planning engagements, Coastal Capital will provide a written summary of the Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, Coastal Capital may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

#### **Retirement Plan Advisory Services**

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

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

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

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

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

## C. Client Account Management

Prior to engaging Coastal Capital to provide investment advisory services, each Client is required to enter into one or more agreements with the Advisor that define the terms, conditions, authority and responsibilities of the Advisor and the Client. These services may include:

- Establishing Investment Policy - Coastal Capital, in connection with the Client, will assist in developing investment goals and objectives and the strategies to achieve those goals.
- Asset Allocation - Coastal Capital will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance for risk for each Client.
- Portfolio Construction - Coastal Capital will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision - Coastal Capital will provide investment management and ongoing oversight of the Client's investment portfolio.

## D. Wrap Fee Programs

Coastal Capital is the sponsor of this Wrap Fee Program. Coastal Capital is also the portfolio manager to the Wrap Fee Program. A wrap fee program is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. Coastal Capital receives a portion of this fee for its portfolio management services of accounts in the Wrap Fee Program.

In Coastal Capital's Wrap Fee Program, investment advisory services will still be customized for each Client. Coastal Capital's Wrap Fee Program merely provides its portfolio management services under a single annualized fee. The overall cost incurred by participating in the wrap fee program may be higher or lower than the cost incurred by the non-wrap fee structure.

A copy of the Wrap Fee Program Brochure is attached as Appendix 1 to this Disclosure Brochure.

## E. Assets Under Management

As of January 26, 2018, Coastal Capital manages the following assets.

Discretionary	\$516,500,000
Non-discretionary	\$500,000
<b>Total Assets Under Management</b>	<b>\$517,000,000</b>

Coastal Capital also has \$840,000,000 of assets under advisement.

## Item 5 Fees and Compensation

### A. Fees for Advisory Services

#### Investment Management Services

The investment advisory fee is paid quarterly, in advance of each calendar quarter, pursuant to the terms of the investment advisory agreement. The investment advisory fee is based on the market value of assets under management at the end of the prior calendar quarter based on the following schedule:

Assets Under Management	Annual Rate
Up to \$499,999	1.25%
\$500,000 to \$999,999	1.15%
\$1,000,000 to \$1,999,999	1.00%
\$2,000,000 to \$3,499,999	0.85%
\$3,500,000 to \$4,999,999	0.75%
Over \$5,000,000	Negotiable

The investment advisory fee in the first quarter of service is prorated from the inception date of the account(s) to the end of the first quarter. Fees are negotiable at the sole discretion of Coastal Capital, which may mean that certain Clients could have fee schedules that differ from the schedule above. The Client's fees will take into consideration the aggregate assets under management with Coastal Capital. Fee adjustments will be made for additional deposits to the account and withdrawals from the account for dollar flows greater than \$10,000. These adjustments are made in the first calendar quarter billing cycle following the quarter in which the inflows/outflows occurred. All securities held in accounts managed by Coastal Capital will be independently valued by the Custodian. Coastal Capital will not have the authority or responsibility to value portfolio securities.

#### **Financial Planning Services**

Coastal Capital offers financial planning services at an hourly rate of \$350 per hour or on a fixed fee per engagement ranging from \$2,500 to \$20,000, depending on the scope and complexity of the plan, and the Client's situation and financial objectives. Fees are negotiable at Coastal Capital's sole discretion. An estimate for total hours and costs will be determined prior to establishing the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, Coastal Capital will notify the Client and request approval for the additional fee.

Coastal Capital also offers advice on single subject financial planning and general consulting services at the same hourly rate.

At Coastal Capital's sole discretion, the financial planning fees may be offset to the extent that the financial plan is implemented through Coastal Capital's Investment Management service.

#### **Retirement Plan Advisory Services**

Retirement plan advisory fees are typically paid quarterly or monthly in arrears, pursuant to the terms of the retirement plan advisory agreement. Plans that are on a quarterly fee schedule may not be charged each calendar quarter, but rather on an off-calendar quarter basis. Fees are based on the market value of assets in the Plan at the end of the prior quarter or month. Fees are based on the following schedule:

Assets Under Management	Annual Rate
\$0 to \$3,500,000	0.500%
\$3,500,000 to \$5,000,000	0.400%
\$5,000,001 to \$7,500,000	0.300%
\$7,500,001 to \$10,000,000	0.250%
\$10,000,001 to \$15,000,000	0.225%
\$15,000,001 to \$20,000,000	0.200%
\$20,000,001 to \$35,000,000	0.175%
\$25,000,001 to \$50,000,000	0.150%
\$50,000,001 to \$75,000,000	0.125%
\$75,000,001 and Over	0.100%

Fees may be negotiable depending on the size and complexity of the Plan. Certain Clients may have fee schedules that differ from the schedule above.

## **B. Fee Billing**

### **Investment Management Services**

Investment advisory fees will be calculated by the Black Diamond and deducted from the Client's account(s). The Client shall instruct the Custodian to automatically deduct the investment advisory fee from the Client's account(s) for each billing period and pay the investment advisory fee(s) to the Advisor. The Black Diamond calculates the amount of the fees to be deducted from the Client's account(s) at the respective quarter-end date. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with Coastal Capital at the end of the previous quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. Clients provide written authorization permitting Coastal Capital to be paid directly from their accounts held by the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

### **Financial Planning Services**

Financial planning fees are invoiced by the Advisor. The fees may be charged monthly, quarterly or at the time of completion, depending on the agreed schedule.

### **Retirement Plan Advisory Services**

Fees may be directly invoiced to the Plan Sponsor or deducted from the assets of the Plan, depending on the terms of the retirement plan advisory agreement.

## **C. Other Fees and Expenses**

Clients may incur certain fees or charges imposed by third parties in connection with investments made on behalf of the Client's account(s). The Client may be responsible for custodial and securities transactions fees charged by the Custodian and executing broker-dealer. Coastal Capital does not share in any portion of the brokerage fees or transaction charges imposed by the broker-dealer or Custodian.



Clients participating in the Coastal Capital Wrap Fee Program will not be charged brokerage and transaction fees as they are included in the investment advisory fee.

As part of its investment advisory services, Coastal Capital may invest in mutual funds or exchange traded funds. All fees paid to Coastal Capital for investment advisory services are separate and distinct from the expenses charged by mutual funds and exchange-traded funds to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. The Client should review both the fees charged by the fund(s) and the fees charged by Coastal Capital to fully understand the total fees to be paid.

#### **D. Advance Payment of Fees and Termination**

##### **Investment Management Advisory Services**

Coastal Capital is compensated for its services in advance of the quarter in which advisory services are rendered. Either party may terminate the advisory agreement at any time by providing advance written notice to the other party. The Client shall be responsible for advisory fees up to and including the effective date of termination. Upon termination, the Advisor will refund any unearned, prepaid advisory fees from the effective date of termination to the end of the quarter. The Client's advisory agreement(s) with the Advisor is non-transferable without the Client's prior consent.

##### **Financial Planning Services**

Coastal Capital may be partially compensated for its financial planning services at the start of an engagement. Either party may terminate a planning agreement, at any time, by providing written notice to the other party. In the event that a Client should wish to cancel the financial planning agreement after creation of the plan has commenced, all fees charged up to the point of cancellation are due upon receipt. The Client's financial planning agreement with the Advisor is non-transferable without the Client's prior consent.

##### **Retirement Plan Advisory Services**

Coastal Capital is compensated in arrears for its advisory services to retirement plans. Either party may terminate an advisory agreement at any time by providing advance written notice to the other party. The Client shall be responsible for advisory fees up to and including the effective date of termination, and will be invoiced or charged as applicable. The Client's advisory agreement(s) with the Advisor is non-transferable without the Client's prior consent.

#### **E. Compensation for Sales of Securities**

Persons providing investment advice on behalf of Coastal Capital are registered representatives with Purshe Kaplan Sterling Investments ("PKS"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. This practice presents a conflict of interest because persons providing investment advice on behalf of Coastal Capital who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

To mitigate this conflict of interest, Coastal Capital will not charge a Client an ongoing investment advisory fee if a commission is earned on the investment.

Clients are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with Coastal Capital.

Persons providing investment advice on behalf of Coastal Capital are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to Clients. Insurance commissions earned by these persons are separate and in addition to Coastal Capital's advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of Coastal Capital who are insurance agents have an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on the Client's needs.

Clients are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with Coastal Capital.

For more information on Coastal Capital's activities as registered representatives or insurance agents, please see Item 10 below.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

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

## **Item 7 Types of Clients**

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

In general, Coastal Capital does not require a minimum dollar amount to open and maintain an advisory account; however, the firm has the right to terminate a Client's account if it falls below a minimum size which, in Coastal Capital's sole opinion, is too small to manage effectively.

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

### **A. Methods of Analysis**

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

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

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

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

## **B. Investment Strategy**

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

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

At times, Coastal Capital may also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

Using a short-term purchase strategy generally assumes that one can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Coastal Capital may also participate in margin transactions - a securities transaction in which an investor borrows money to purchase a security and the security serves as collateral on the loan.

If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

## **C. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Coastal Capital will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account. Coastal Capital shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate

the accuracy and completeness of the provided information. It is the responsibility of the Client to inform Coastal Capital of any changes in financial condition, goals or other factors that may affect this analysis.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. Coastal Capital will work with each Client to determine their tolerance for risk as part of the portfolio construction process.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with their Relationship Manager.**

## **Item 9 Disciplinary Information**

**There are no legal, regulatory or disciplinary events to report involving Coastal Capital or any of its employees.** Coastal Capital and its advisory personnel value the trust you place in us. As we advise all Clients, we encourage you to perform the requisite due diligence on any advisor or service provider with whom you partner. Our backgrounds are on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm or our CRD# 186511.

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

### **Broker-Dealer Affiliation**

Certain Advisory Persons of Coastal Capital are also registered representatives of PKS, a registered broker-dealer, member FINRA, SIPC. In their separate capacity as registered representatives, Advisory Persons will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by Advisory Persons of Coastal Capital. Neither Coastal Capital nor its Advisory Persons will earn ongoing investment advisory fees in connection with any services implemented in an Advisory Person's separate capacity as a registered representative. Generally, recommendations made by Coastal Capital to its Clients are implemented by Advisory Persons in their role as investment advisor representatives of Coastal Capital and not in their role as registered representatives of PKS. As such, Clients of Coastal Capital only pay advisory fees as described above. In no circumstances will Coastal Capital earn an advisory fee and a commission on the same investment.

### **Insurance Agency Affiliations**

Certain Advisory Persons of Coastal Capital are also licensed insurance professionals. Implementations of insurance recommendations are separate and apart from the Advisory Person's role with Coastal Capital. As insurance professionals, Advisory Persons may receive customary commissions and other related revenues from the various insurance companies whose products are sold. Commissions generated by insurance sales do not offset regular advisory fees. This may cause a conflict of interest in recommending certain products of the insurance companies. Clients are under no obligation to implement any recommendations made by Advisory Persons or the Advisor.

### **Recommendation of Other Advisers**

Coastal Capital may recommend that a Client use a third party money manager ("TPMM") based on financial needs and suitability. Coastal Capital will not receive separate compensation, directly or indirectly, from the TPMM for recommending the use of their services. Moreover, Coastal Capital does not have any other business relationships with the recommended TPMM(s).

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

### **A. Code of Ethics**

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

### **B. Personal Trading with Material Interest**

Coastal Capital does not have a material interest in any securities traded in Client accounts and does not act as principal in any transactions. Additionally, Coastal Capital does not act as the general partner of a fund, or advise an investment company.

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

Supervised Persons may buy or sell the same securities that are recommended to Clients or securities in which Clients are already invested. A conflict of interest exists in such cases because the Supervised Persons have the ability to trade ahead of a Client and potentially receive more favorable prices than the Client will receive. To mitigate this conflict of interest, it is Coastal Capital's policy that neither the firm nor persons associated with the firm shall have priority over your account in the purchase or sale of securities. Additionally, Coastal Capital requires reporting of personal securities trades by its Supervised Persons for review by Chief Compliance Officer ("CCO")

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

Since Coastal Capital allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients, such trades may be aggregated with Client orders. A conflict of interest exists in such cases because the Supervised Persons have the ability to trade ahead of the Client and potentially receive more favorable prices. To eliminate this conflict of interest, it is Coastal Capital's policy that neither the firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities. At no time will Coastal Capital, or any Supervised Person of Coastal Capital, transact in any security to the detriment of any Client.

## **Item 12 Brokerage Practices**

### **A. Custodians and Brokers**

Coastal Capital recommends the brokerage services of PKS. In recognition of the value of the services the PKS provides, Clients may pay higher commissions and/or trading costs than those that may be available elsewhere.

Coastal Capital does not maintain custody of Clients' assets that it manages, although Coastal Capital may be deemed to have custody of assets if given authority to withdraw assets from an account (see Item 15—Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Coastal Capital prefers that our Clients use Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian, although we will allow, in certain situations, the client to maintain

their accounts at their desired custodian. Coastal Capital is independently owned and operated and is not affiliated with Schwab. Schwab will hold Client assets in a brokerage account and buy and sell securities when instructed to do so. While Coastal Capital prefers that its Clients use Schwab as custodian/broker, the Client will decide whether to do so and will open their account with Schwab by entering into an account agreement directly with them. Coastal Capital does not open the account on behalf of the Client, although it may assist in doing so. If a Client does not wish to place their assets with Schwab, Coastal Capital, at its discretion, may allow a client to use another custodian. Not all advisers require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though the account is maintained at Schwab, Coastal Capital can still use other brokers to execute trades for Clients' accounts as described below (see "Your brokerage and custody costs").

Coastal Capital seeks to use a custodian and broker that will hold Client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. A wide range of factors are considered, including:

- Capability to execute, clear, and settle trades (buy and sell securities for Clients' accounts)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Availability of other products and services that benefit Coastal Capital, as discussed below (see "Products and services available to us from Schwab")

### **Soft Dollars**

Soft dollars are revenue programs offered by broker-dealers whereby an advisor enters into an agreement to place security trades with the broker in exchange for research and other services.

**Coastal Capital does not participate in soft dollar programs sponsored or offered by any broker-dealer/custodian.**

### **Economic Benefit**

Coastal Capital may recommend/require that clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Client, including those accounts under ERISA or IRA rules and regulations, in which case the Client is acting as either the plan sponsor or IRA accountholder. Coastal Capital is independently owned and operated and not affiliated with Schwab. Schwab provides Coastal Capital with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Coastal Capital client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes products and services available to Coastal Capital that benefit Coastal Capital but may not benefit its Clients' accounts. These benefits may include national, regional or Coastal Capital specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of Coastal Capital by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Coastal Capital in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Coastal Capital's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Coastal Capital's accounts, including accounts not maintained at Schwab. Schwab also makes other services available to Coastal Capital that are intended to help Coastal Capital manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to Coastal Capital by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Coastal Capital. While, as a fiduciary, Coastal Capital endeavors to act in its clients' best interests, its recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Coastal Capital of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Products and Services Available From Schwab**

Schwab provides Coastal Capital and its Clients with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Coastal Capital manage or administer Clients' accounts, while others help manage and grow the business. Schwab's support services are generally available on an unsolicited basis (Coastal Capital does not have to request them) and at no charge to Coastal Capital. Following is a more detailed description of Schwab's support services:

#### **Services That Benefit Clients**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### **Services That May Not Directly Benefit Clients**

Schwab and other custodians also makes other products and services available that benefit Coastal Capital but may not directly benefit the Client or the Client's account. These products and services assist Coastal Capital in managing and administering Clients' accounts. They include investment research, both Schwab's own and that of third parties. Coastal Capital may use this research to service all or a substantial number of Clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of advisory fees from clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

#### **Services that Only Benefit The Firm**

Schwab also offers other services intended to help us manage and further develop Coastal Capital's business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Coastal Capital with other benefits, such as occasional business entertainment of Coastal Capital's personnel.

#### **Coastal Capital's Interest in Schwab's Services**

The availability of these services from Schwab benefits Coastal Capital because the firm does not have to produce or purchase them. Coastal Capital doesn't have to pay for Schwab's services. These services are not contingent upon Coastal Capital committing any specific amount of business to Schwab in assets in custody, but Coastal Capital has an incentive to recommend that accounts be maintained with Schwab, based on Coastal Capital's interest in receiving Schwab's services that benefit the business rather than based on the Client's interest in receiving the best value in custody services. This is a potential conflict of interest. Coastal Capital however, believes that our selection of Schwab as custodian is in the best interests of Clients. This selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only Coastal Capital.

#### **Brokerage Referrals**

Coastal Capital does not receive any compensation from any third party in connection with the recommendation for establishing an account.

#### **Directed Brokerage**

Clients are routinely required to direct Coastal Capital to execute transactions through PKS. As such, the most favorable execution of transactions may not be achievable and the Client may pay higher brokerage commissions than they might otherwise pay through another broker-dealer that offers the same type of services.

#### **B. Aggregating and Allocating Trades**

Coastal Capital may aggregate orders in a block trade or trades when securities are purchased or sold through the broker-dealer for multiple (discretionary) accounts. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business



day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts.

Coastal Capital does not not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. For Clients who have entered into non-discretionary arrangements, Coastal Capital may not be able to buy and sell the same quantities of securities and such Clients may pay higher commissions, fees, and/or transaction costs than Clients who enter into discretionary arrangements.

## **Item 13 Review of Accounts**

### **A. Frequency of Reviews**

Securities in Client accounts are monitored on a regular and continuous basis by a Managing Director and/or the CCO of Coastal Capital. Formal reviews are generally conducted at least annually or more or less frequently depending on the needs of the Client.

### **B. Causes for Reviews**

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

### **C. Review Reports**

The Client will receive brokerage statements no less than quarterly from the trustee or Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account(s). The Advisor may also provide Clients with periodic reports regarding their holdings, allocations, and performance.

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

### **A. Compensation Received by Coastal Capital**

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

### **Broker-Dealer Affiliation**

Certain Advisory Persons of Coastal Capital are also registered representatives of PKS. In their separate capacity as registered representatives, Advisory Persons will receive commissions for the implementation of recommendations for commissionable transactions. Additional details are included in Item 10 above.

**Insurance Agency Affiliations**

Certain Advisory Persons of Coastal Capital are also licensed insurance professionals. As insurance professionals, Advisory Persons may receive customary commissions and other related revenues from the various insurance companies whose products are sold. Additional details are included in Item 10 above.

**Participation in Institutional Advisor Platform**

Coastal Capital receives economic benefit from Schwab in the form of the support products and services made available to Coastal Capital and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described above (see Item 12 - Brokerage Practices). The availability of Schwab's products and services is not based on Coastal Capital giving particular investment advice, such as buying particular securities for Clients.

**B. Client Referrals from Solicitors**

If a Client is introduced to Coastal Capital by either an unaffiliated or an affiliated solicitor (herein "Solicitor"), Coastal Capital may pay the Solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act as well as any applicable state securities regulations. Referral fees are paid solely from Coastal Capital's investment management fee and does not result in any additional charges or higher fees to the Client. The Solicitor will provide the Client with a copy of Coastal Capital's Disclosure Brochure along with a Solicitor's Disclosure Statement containing the terms and conditions of the solicitation arrangement including compensation.

**Item 15 Custody**

Coastal Capital does not accept or maintain custody of any Client accounts, except for the authorized deduction of the advisory fee. Schwab maintains actual custody of Clients' assets because all Clients must place their assets with a "qualified custodian". Each Client will receive account statements directly from Schwab at least quarterly at the email or postal mailing address provided to Schwab by the Client. Coastal Capital encourages Clients to promptly and carefully review statements provided by the Custodian and compare the statements with reports provided by Coastal Capital. For more information about Custodians and brokerage practices, see Item 12 above.

**Item 16 Investment Discretion**

Coastal Capital generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by Coastal Capital. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by Coastal Capital will be in accordance with each Client's investment objectives and goals.

**Item 17 Voting Client Securities**

Coastal Capital does not accept proxy-voting responsibility for any Client. Clients will receive proxy statements directly from the Custodian. Coastal Capital will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

## **Item 18 Financial Information**

Neither Coastal Capital, nor its management, has any adverse financial situations that would reasonably impair the ability of Coastal Capital to meet all obligations to its Clients. Neither Coastal Capital, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. Coastal Capital is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.