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*This Brochure provides information about the qualifications and business practices of Coastal Investment Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (888) 657-5200 or [info@coastal-one.com](mailto:info@coastal-one.com). 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. Registration of an Investment Adviser does not imply any level of skill or training. The verbal and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about Coastal Investment Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

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## *Item 2 – Material Changes*

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This Section addresses only specific material changes that are made to the Brochure and is intended to provide clients with a summary of such changes.

Over the past year, we have made no material changes to this Brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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*Item 3 – Table of Contents*

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Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	2
Item 5 – Fees and Compensation.....	12
Item 6 – Performance-Based Fees and Side-By-Side Management .....	18
Item 7 – Types of Clients .....	19
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	19
Item 9 – Disciplinary Information .....	24
Item 10 – Other Financial Industry Activities and Affiliations .....	24
Item 11 – Code of Ethics .....	26
Item 12 – Brokerage Practices.....	29
Item 13 – Review of Accounts .....	32
Item 14 – Client Referrals and Other Compensation .....	32
Item 15 – Custody .....	32
Item 16 – Investment Discretion .....	33
Item 17 – Voting Client Securities .....	34
Item 18 – Financial Information.....	34

Coastal Investment Advisors, Inc. (“Coastal Investment Advisors” or “CIA”) is an investment advisory firm that is registered with the U.S. Securities and Exchange Commission since June 6, 2007. CIA is wholly owned by Orange Street Holdings, Inc.

CIA provides ongoing investment advice and management of client assets through its investment advisor representatives, to whom we refer as “Financial Advisors.” Financial Advisors provide advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds (“ETFs”), variable annuity subaccounts, real estate investment trusts (“REITs”), equities, fixed income securities, advisory programs offered by us or third party investment advisory firms, and options. Our Financial Advisors may also offer advice related to CIA-approved direct participation programs, private placements, and other alternative investments, such as alternative energy programs, leasing programs, and real estate programs. Through our Financial Advisors, we provide a variety of investment management services, including portfolio management (implemented by Coastal Investment Advisors or an independent, third-party money manager), investment consulting, financial planning, and estate planning. Our Financial Advisors may provide advice in areas such as wealth management, investment consulting, portfolio management, asset allocation, cash management/treasury services, and/or financial and estate planning.

CIA's Financial Advisors may market under the *Coastal* brand or under a business name of their choosing. When marketing under a business name other than Coastal, a Financial Advisor will distinguish between business done by *Coastal* and other non-*Coastal* business lines in which an Advisor may engage. Our advisors who use their own brand name have been instructed to disclose on advertising and client correspondence that their advisory services are offered through us, and when applicable, their brokerage services are offered through our affiliated Broker Dealer.

CIA is also affiliated with Coastal Equities, Inc. (“CEI”), a broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”), and many CIA Financial Advisors are also registered with CEI as a broker-dealer registered representative. Therefore, in such case, Financial Advisors are able to offer a client both investment advisory and brokerage services. When acting as a registered representative, these representatives will charge commissions on a per-transaction basis when implementing their advice for clients. Before engaging with a Financial Advisor, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the client’s investment needs and goals. Clients should speak to the Financial Advisor to understand the different types of services available through Coastal either through CIA or CEI when the Financial Advisor is registered with both entities, and to determine which assets will be managed on an advisory basis and which assets will be sold through a brokerage basis.

## INVESTMENT ADVICE

Our Financial Advisors provide advice that is tailored to the individual needs of the client based on the financial information and the investment objective(s) communicated by the client. Clients may impose restrictions on investing in certain securities or groups of securities by notifying the Financial Advisor in writing (including in the Investment Advisory Agreement). Clients' proposed restrictions may or may not be accepted by Coastal.

## PORTFOLIO MANAGEMENT SERVICES -- WRAP FEE PROGRAMS VERSUS TRADITIONAL MANAGEMENT PROGRAMS

Some of our Financial Advisors participate in "wrap fee" programs, by providing portfolio management services. Under a wrap fee program, advisory services and transaction services are provided for one fee. This is different from a traditional management program whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis. For these accounts, depending upon the platform or program, Coastal Investment Advisors, its Financial Advisors, the Custodian, or another third-party may:

- Assist clients in the identification of investment needs and objectives.
- Develop an investment policy and/or asset allocation strategy designed to meet the client's objectives.
- Recommend specific investment style and asset allocation strategies.
- Evaluate Money Managers and investment vehicles meeting style and allocation criteria.
- Negotiate fees to be paid to Money Managers.
- Assist in identification of appropriate Money Managers and investment vehicles suitable to the client's goals.
- Manage client assets directly, eliminating the necessity for a Money Manager.
- Assist in identification of a CIA Financial Advisor to manage client assets.
- Engage selected Money Managers and investment vehicles on behalf of the client.
- Perform ongoing monitoring and due diligence of an individual Money Manager's performance and management.
- Review the client's account for adherence to objectives, policy guidelines, and/or asset allocation on a periodic basis.
- Recommend reallocation among Money Managers or styles within the program.
- Hire or fire Money Managers utilized by clients.
- Provide reporting to the client regarding the performance of his/her/its account.

CIA and the Financial Advisor each receive a portion of the wrap fee for their services. Wrap fee programs may be more expensive than traditional programs that charge transactional fees, dependent upon the number of transactions you anticipate in your account. Consult your Financial Advisor for which program is best suited for your needs.

## ADVISORY SERVICES

CIA provides its clients with investment management and consulting services in connection with programs we developed and through programs sponsored by Wells Fargo Advisors (Wells Fargo). We also provide asset management programs through arrangements with EnvestNet Asset Management Inc. (EnvestNet), AssetMark, Inc. (AssetMark) and SEI Investment Management Corp (SEI).

### **Wells Fargo**

In November 2016, First Clearing, LLC merged and consolidated its operations into Wells Fargo Advisors, LLC. The resulting firm is now known as Wells Fargo Clearing Services, LLC (WFCS), Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company. WFCS operates its brokerage and advisory business under the trade name "Wells Fargo Advisors." First Clearing is also a trade

name used by WFCS when carrying customer accounts and acting as custodian for funds and securities deposited through introducing firms such as CEI or as a result of transactions it processes for customer accounts.

If you open an account through a program sponsored by Wells Fargo, you will receive the applicable program disclosure brochure prepared and distributed by Wells Fargo.

CIA generally requires using First Clearing as the qualified custodian and clearing broker/dealer for all client accounts established within the Coastal Asset Management Investment Strategies Program (CAM-IS).

First Clearing is the trade name used by Wells Fargo for clearing and custodial services of our Affiliate Broker-Dealer (Coastal Equities, Inc. or CEI) and therefore the decision to use Wells Fargo sponsored programs or CAM-IS is a main factor in also recommending First Clearing and vice-versa. This affiliation presents a conflict of interest in that CIA is incented to refer accounts to programs sponsored by CIA or Wells Fargo because the assets will be maintained with its affiliate or affiliate's clearing firm, which provides direct and indirect income to CEI. The Firm mitigates this conflict by disclosing this conflict of interest in this Brochure and by periodically monitoring account activity and best execution. In addition, the firm believes it enjoys lower costs and efficiencies in utilizing its affiliate BD in such fashion. Regardless, clients are encouraged to discuss programs at other qualified custodians with their Financial Advisor to determine the most suitable option in this regard.

Programs offered by us that are sponsored by Wells Fargo include:

- Private Investment Management
- Asset Advisor (Non-Discretionary)
- Allocation Advisors
- Masters
- Diversified Managed Allocations
- Wells Fargo Compass
- Private Advisor Network
- CustomChoice
- FundSource and Pathways.

While you may be solicited to establish an account through any of the programs described in this document, not all programs offered are suitable for you. Therefore, your Financial Advisor must analyze your financial situation to recommend a program or service that is suitable for you. Further, it should be noted while you receive individualized treatment from your Financial Advisor, if you have an account managed by us (i.e. the CIA Financial Advisor is responsible for selecting underlying portfolio holdings within client accounts) you will receive more personalized CIA treatment than if your account is managed by selected third-party money managers (i.e. the selected money manager is responsible for selecting underlying portfolio holdings within client accounts).

#### **CIA Financial Advisor Managed Programs Sponsored by Wells Fargo**

##### **PRIVATE INVESTMENT MANAGEMENT (PIM) AND ASSET ADVISOR PROGRAMS**

CIA participates in the Private Investment Management (PIM) and Asset Advisor programs sponsored by Wells Fargo. PIM and Asset Advisor are wrap-fee programs so they do not bill transaction costs separately from the overall management fee, provided that the number of transactions per calendar year does not exceed 120. The cost for additional transactions will be billed directly to your account; however, the Financial Advisor (at his or her sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you. Both programs allow the CIA Financial Advisor to provide on-going supervision and management services. PIM is an Advisor Directed program whereas Asset Advisor is a Client Directed program. All client accounts through the PIM and Asset Advisor programs must be established through First Clearing.

The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through either the PIM or Asset Advisor programs. Please note that some restrictions Wells Fargo places on PIM accounts for its own clients are not necessarily applicable to CIA clients, such as the ability to include certain types of securities (such as low-priced stocks or concentrated positions) in the account.

### **Third-Party Money Manager Programs – Separate Account Manager Programs Sponsored by Wells Fargo**

CIA participates in separate account manager programs sponsored by Wells Fargo. Through these programs, CIA Financial Advisors assist you in allocating your assets among one or more third-party money managers.

Currently, we participate in the following Wells Fargo sponsored wrap-fee programs:

- Allocation Advisors
- Masters
- Diversified Managed Allocations (DMA)
- Wells Fargo Compass, and
- Private Advisor Network

CIA also participates in the Private Advisor Network Investment Consulting Service (Network) platform, a program sponsored by Wells Fargo. Under the Masters, DMA, and Network programs, CIA Financial Advisors assist you in determining and selecting third-party money managers who will be provided discretionary authority to select investment options to manage your assets. Under the Allocation Advisors and Compass programs, the Wells Fargo Advisory Services Group will be provided discretionary authority as it serves as the third-party money manager.

Through the Masters and DMA programs, CIA Financial Advisors may be provided discretionary authority to select and remove underlying third-party money managers. Under this type of arrangement, your CIA Financial Advisor does not have to receive your authorization to add or remove a money manager. When you do not grant discretionary authorization to select and remove third-party money managers, you must provide us and the custodian, i.e. First Clearing, with written instructions to add or change a money manager. The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through any of the programs. In addition, you will receive a copy of all third-party money managers who manage your assets. Only third-party money managers that are registered as investment advisers or are exempt from investment adviser registration will be recommended.

### **Mutual Fund Wrap-Fee Programs Sponsored by Wells Fargo**

CIA participates in two mutual fund wrap-fee programs sponsored and administered by Wells Fargo:

- CustomChoice
- FundSource and Pathways.

CustomChoice is a non-discretionary client directed mutual fund wrap program. You must execute the *CustomChoice Client Agreement* to participate in this program. Accounts through this program are managed by us on a non-discretionary basis. There are approximately 5,000 no-load, load waived, and institutional share class mutual funds from which to choose. You must approve all implementation decisions made through this program.

FundSource is a discretionary mutual fund wrap program based on Wells Fargo research-driven Optimal Blends or Customized Blends. You must execute the *FundSource Program Agreement* to participate in this program. All assets are managed by Wells Fargo who is given discretionary authority to implement changes within your account based on your individualized situation and based on information provided by you to your Financial Advisor. Portfolios are comprised of mutual funds selected by Wells Fargo.

Before May 2011, Pathways was a stand-alone advisory program offered by Wells Fargo. Pathways is now an asset allocation option within the FundSource Program that allows you to allocate assets among mutual fund portfolios (Pathways Funds) which are administered by Russell Investment Company (Russell). Russell will provide a selection of optimal blends of model investment portfolios or accept instructions from you with respect to a custom blend in various funds that are operated and administered by Russell, based on its evaluation of your financial goals, circumstances and risk tolerances. Russell is responsible for evaluating and retaining one or more investment management organizations to manage each Pathways Fund. The portfolios are designed for a specific investor. You must execute the *Pathways Program Agreement* to participate in this program.

We are not related to Russell, and Wells Fargo and Russell are not related entities. A portion of the fee charged for Pathways is paid to Russell for its investment advisory services.

We provide you with consulting services when selecting optimal blend mutual fund portfolios constructed by Wells Fargo for the FundSource program and by Russell for the Pathways program. You may also create your own customized mutual fund portfolio blend.

The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through any of the programs. Pathway's clients will also receive all necessary disclosure documents relating to Russell.

### **COASTAL INVESTMENT ADVISOR REPRESENTATIVE MANAGED PROGRAMS SPONSORED BY CIA**

Each program described in this section requires that we enter into an advisory agreement together for services to be provided. Either of us may end the agreement by providing notice to the other party. In the event you end our services (in writing, pursuant to the advisory agreement), we will terminate the agreement effective with your notification. We may end our services by providing you with written notice.

CIA generally requires using First Clearing as the qualified custodian and clearing broker/dealer for all client accounts established within the Coastal Asset Management Investment Strategies Program (CAM-IS), and Adviser as Portfolio Manager Program (APM). The conflicts discussed above are equally applicable to these programs as well, and mitigated in the same fashion.

### **COASTAL ASSET MANAGEMENT INVESTMENT STRATEGIES (CAM-IS)**

CAM-IS is a proprietary platform offered by CIA and its Financial Advisors to qualified clients. CAM-IS is not a wrap fee program and therefore you will be charged transactional costs.



CAM-IS will manage the client's account using an active approach, investing in certain targeted securities in an effort to increase the possibility to out-perform the stock market's average performance. The investments are managed using these philosophies and structuring factors.

- Research into stocks can identify either underpricing by the market or higher growth potential than the market.
- Accounts with more than forty (40) holdings gain little benefit in diversifying risk exposure.
- Baskets (aka "sleeves") of stocks are assembled for specific investing purposes. Examples of investing purposes are growth, infrastructure, or international stocks.
- A sleeve may have as few as three (3) stocks to as many as ten (10). This concentration allows for economical risk management within the sleeve while providing for the potential of higher value when an individual stock performs as expected.
- An account is allocated to a certain number of sleeves to achieve desired investment diversification.
- Beside the selection of specific holdings within a sleeve, important value is achieved in the allocation of sleeves within the account and in accordance with the investment objective indicated by the total score of the client's profiling questionnaire.
- A sophisticated computer algorithm evaluates each sleeve and identifies the optimal share allocation in an account. This method removes subjectivity from the allocation decision and benefits from the power that computerized simulations provide.

Investment are limited to securities in the categories listed below. Accounts will not hold the entire list, and the investment selections are at the sole discretion of the CAM-IS portfolio manager.

#### **Fixed Income (aka Bonds)**

U.S. Short Term Taxable Bonds, U.S. Intermediate Term Taxable Bonds, U.S. Long Term Taxable Bonds, U.S. Short Term Tax Free Bonds, U.S. Intermediate Term Tax Free Bonds, U.S. Long Term Tax Free Bonds, U. S. Total Taxable Bonds, U.S. Corporate Bonds, High Yield Bonds, Non-U.S. Bonds

#### **Equity (aka Stocks)**

U.S. Equities – Large Cap, U.S. Large Cap Value, U.S. Large Cap Growth, U.S. – Mid Cap, U.S. – Mid Cap Value, U.S. – Mid Cap Growth, U.S. – Small Cap, U.S. – Small Cap Value, U.S. – Small Cap Growth, World Stocks (Ex. U.S.), Non U.S. Large Stocks - Developed Countries, Non U.S. Small Stocks - Developed Countries, Foreign Equities – Emerging Market, Real Estate Securities/REITS, Sector: Utilities, Sector: Oil & Gas, Sector: Technology, Sector: Natural Resources, Commodities

#### **Securities Types**

Individual Stocks or Bonds, Open-ended Mutual Funds, Closed-end Mutual Funds, Exchange Traded Funds, Futures, Options, Puts, Short Sales

The investment custodian will provide monthly or quarterly statements for the account(s) held by you. The statement will show values for each holding and all transactions affecting assets within the account, including additions and withdrawals.

Your Financial Advisor will meet with or at least offer to meet with you annually to review and explain the account's investment results and any related issues. The Financial Advisor, through CAM-IS, will manage the account in a manner consistent with the client's investment profile. Fees for CAM-IS are in addition to any fees charged by CIA and the Financial Advisor. Please see the CAM-IS fee schedule for a description of fees.

#### **ADVISER AS PORTFOLIO MANAGER PROGRAM (APM)**

In the APM program, your adviser will engage you in a traditional advisory relationship, where you pay a fee on assets under management, but also incur ticket charges for trades. The cost for transactions will be billed directly to your account; however, the Financial Advisor (at his or her sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you. This program allows the

CIA Financial Advisor to provide personalized on-going supervision and management services over your account(s) in the program. APM is an Advisor Directed program. Client accounts are usually established through First Clearing, however the APM program is flexible in that your adviser may recommend other custodians approved by CIA if it is in the best interest of the client. Your adviser may also choose to engage and enroll you in any of the programs provided by the entities below.

#### **Envestnet**

Envestnet is an SEC Registered Investment Adviser providing integrated portfolio, practice management and reporting solutions to CIA and our Financial Advisors. Further information about their services and programs are disclosed in their ADV Disclosure Brochure.

#### **AssetMark**

AssetMark is an SEC Registered Investment Adviser providing integrated portfolio, practice management and reporting solutions to CIA and our Financial Advisors. Further information about their services and programs are disclosed in their ADV Disclosure Brochure.

#### **SEI**

SEI is an SEC Registered Investment Adviser providing integrated portfolio, practice management and reporting solutions to CIA and our Financial Advisors. Further information about their services and programs are disclosed in their ADV Disclosure Brochure.

### FINANCIAL PLANNING SERVICES

Coastal Investment Advisors may provide financial planning to clients. Financial planning services are offered on a comprehensive or à la carte (limited focus) basis. Financial plans may encompass all or some of the following areas of financial concern to the client:

- Estate Planning Goals
- Retirement Planning
- Education Planning
- Insurance Planning/Risk Management
- Investments
- Asset Allocation Review and Recommendations

The Financial Advisor obtains appropriate information from the client through personal interviews (including a discussion of current financial status, future goals and attitude towards risk) and reviews the documents and data supplied by the client. A written financial plan may be prepared and provided. The implementation of financial plan recommendations is entirely at the discretion of the client. Financial plans are not limited in any way to products or services provided by any particular company. However, in general, only products and services that Coastal Investment Advisors is able to provide will be offered.

### ADVISORY SERVICES TO RETIREMENT PLANS AND PLAN PARTICIPANTS CONTRACTED BY PLAN SPONSOR

CIA offers various levels of advisory and consulting services to employee benefit plans and/or to the participants of such plans ("Participants"). The services are designed to assist plan sponsors ("Plan Sponsors") in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act ("ERISA") and the Pension Protection Act of 2006 ("PPA"). Generally, investment advice provided to Plan Sponsors and Participants is regulated under ERISA and the PPA. We will provide a set of services to Plan Sponsors and their Participants which may include all or some of the offerings described below. Plan Sponsors must make the ultimate decision to retain us for pension consulting and other advisory services including services at the participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan. The following services are provided for general informational purposes. Not all clients contracting for retirement plan services will receive every level of

service described below. The exact scope and types of services provided will be agreed upon with each client and listed in the client agreement.

The services provided to employee benefit plans (“the Plan”) and their Plan Sponsors may include the following:

*Investment Policy Statement.* CIA may assist with the drafting and adoption of an Investment Policy Statement (IPS) for each Plan.

*Cash Flow Analysis.* CIA may assist the Plan’s oversight committees with the review of the quarterly cash flow analysis as provided by the plan provider.

*Selection of Qualified Default Investment Alternative.* CIA may recommend to the client an investment fund product or model portfolio meeting the definition of a “Qualified Default Investment Alternative” (“QDIA”) in ERISA Regulation 2550.404c-5(e)(3). The QDIA shall be reflected in the IPS.

*Investment Performance Monitoring or Analysis.* CIA may assist the Plan’s oversight committees with the review of the quarterly investment performance of the Plan’s investment options. Under applicable circumstances, CIA will monitor the appropriateness and continued suitability of each of the investments with a view to complying with the “broad range” requirement under ERISA Section 404(c).

*Asset Allocation Analysis.* CIA may assist the Plan’s oversight committees with the review of the quarterly asset allocation analysis as provided by the Plan provider.

*Performance Reports.* CIA may prepare reports evaluating the performance of the Plan’s investment manager(s) or investments, as the case may be, as well as comparing the performance thereof to benchmarks set forth in the IPS. The information used to generate the reports will be derived from statements provided by the client.

*Education Services to Plan Committee.* CIA may provide training for the members of the Plan Committee with regard to their service on the committee, including guidance with respect to fiduciary duties.

*Participant Education Services.* CIA may conduct in-person, group sessions and provide printed educational materials (which may include posters, payroll stuffers, and emails) to Participants, providing information to them about the investment options under the Plan and providing information on how to complete plan enrollment paperwork. Services provided under an “Eligible Investment Advice Arrangement,” as defined under the PPA, shall be governed by a separate agreement.

*Expense Analysis.* CIA may assist the Plan’s oversight committees with the review of the investment expense characteristics for each of the investment options.

*Investment Structural Analysis.* CIA may assist the Plan’s oversight committees with the review of the Investment Structural Analysis for each of the investment options.

*Third Party Product or Service.* Advisory services provided to retirement plans may be solely provided by Financial Advisors, or in combination with third parties and their retirement plan services. CIA may use the product or service offered by a third party in providing services to a client and the Plan.

*Plan Search Support.* CIA may manage the preparation, distribution, and evaluation of Request For Proposals, finalist interviews, and conversion support.

*Additional Services.* Services as agreed upon by CIA and client.

*Services for Plan Participants.* Plan Sponsors retain CIA and its Financial Advisors to provide services to Participants pursuant to an “eligible investment advice arrangement,” as defined under the PPA. The scope of the services and fees are established and approved in advance by the Plan Sponsor and shall be clearly set forth in the executed agreement for services.

Financial Advisors will meet with individual Participants to collect pertinent information regarding their financial circumstances and investment objectives. Financial Advisors will then deliver advice either by:

- providing direct investment advisory services to the Participant (in which case the CIA fee will not vary based on the advice given to the Participant)
- generating portfolio recommendations for a Participant based on an unbiased computer model that has been certified and audited by an independent third party.

#### ADVISORY SERVICES TO RETIREMENT PLAN PARTICIPANTS NOT CONTRACTED BY PLAN SPONSOR

Participants also directly retain CIA and its Financial Advisors to provide direct advisory services by executing a Coastal Investment Advisors Investment Advisory Agreement. The services and fees are set forth in the executed agreement and approved by participant in

lieu of the plan sponsor. Participants may elect to roll-over retirement plan assets to an individual account at CIA under the same Financial Advisor who provided advisory services while those assets were maintained within the original qualified plan.

## **PROGRAM CHOICE DISCLOSURES**

The specific advisory program selected by the client may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical or expected size or number of trades for the account, the types of securities and strategies involved, and the number and range of supplementary advisory and client-related services provided to the account. Investment recommendations and advice offered by CIA and its advisors do not constitute legal, tax, or accounting advice. Clients should coordinate and discuss the impact of the financial advice they receive from a CIA advisor with their attorney and accountant. Clients should also inform their advisor promptly of any changes in their financial situation, investment goals, needs, or objectives. Failure to notify the advisor of any material changes could result in investment advice not meeting the changing needs of the client. In some cases, an independent investment advisor may engage the investment advisory services of a CIA advisor to manage a portion of the investment advisor's client accounts individually or within the CAM-IS Program.

## **PROGRAM CHOICE CONFLICTS OF INTEREST**

Clients should be aware that the compensation to CIA, its affiliates, and your advisor will differ according to the specific advisory program chosen. This compensation to CIA, its affiliates, and your advisor may be more than the amounts we would otherwise receive if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by CIA and your advisor, we have a financial incentive to recommend a particular program or service over other programs or services available through CIA.

## **REGULATORY ASSETS UNDER MANAGEMENT**

As of December 31, 2019, Coastal Investment Advisors had discretionary assets under management of approximately \$466,833,910. The firm has \$99,041,058 non-discretionary assets under management.

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### *Item 5 – Fees and Compensation*

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## **FEES FOR INVESTMENT ADVICE**

Coastal Investment Advisors and/or its Financial Advisors are generally compensated for investment advice by a percentage of the client's assets under the Financial Advisor's management. Advisory fees vary according to the program, but are charged monthly or quarterly in advance, although some legacy clients or certain managed programs may be subject to a different arrangement such as charges in arrears versus in advance.

These fees are negotiable at the sole discretion of the Firm or Financial Advisor, but fees shall not exceed the applicable program's Fee Schedule. The fee to be charged each client will be stipulated within each client's advisory agreement with Coastal Investment Advisors, or in some instances with the Program Manager's Agreement (e.g. Wells Fargo programs) and applies to all of the assets within the portfolio or household (as defined in the agreement). Certain clients, as described within a client's advisory agreement, may be billed in an

"all-inclusive" manner. In such instances, Coastal Investment Advisors will assess one fee that captures the management, brokerage, and administrative portions collectively.

Fees are payable monthly or quarterly depending upon the program; the applicable annual percentage fee is divided by twelve or four as applicable. Assets included in clients' margin balances are included when calculating Coastal Investment Advisors' fees; clients should note that they may already be paying margin interest on these same assets. Fee breakpoints are not retroactive to the breakpoint's previous level. For example, an account valued at \$3,500,000.00 would pay, under a fee schedule with a breakpoint at \$2,500,000, 2.5% (for example) on the first \$2,499,999.99 and would pay 1.75% (for example) on the remaining \$1,000,000.01. The method for calculating the value of assets under management for purposes of the fee calculation may be different than the methodology used to calculate Regulatory Assets Under Management. Fees are deducted from the client's assets, or, at the client's request, CIA may bill for fees incurred. Requests for the latter may be accepted or declined in CIA's sole discretion. Fees for assets in taxable accounts may not be deducted from qualified accounts.

If a client engages a CIA Financial Advisor other than the client's Financial Advisor, or where a client's Financial Advisor has discretion to engage a CIA Financial Advisor and exercises that discretion to manage client assets, the total fee paid by the client will be allocated between the client's Financial Advisor and any other Financial Advisor so engaged. The total fee paid may be higher than the fee otherwise would be by hiring another advisor directly. Where a Financial Advisor engages CIA through the CAM-IS program, the fee for CAM-IS is in addition to the Financial Advisor's fee.

#### PORTFOLIO MANAGEMENT SERVICES -- WRAP PROGRAM FEES.

Under these programs, an annual fee is negotiated between Coastal Investment Advisors and its clients, typically ranging from 0.20% to 2.5%. The total fee clients will pay typically includes Coastal Investment Advisors' fee and the platform or program fee charged by the Custodian or other third party administering the platform or program, and/or the Money Managers; for certain programs, the fees charged by the Custodian or administrator of the platform or program are separate from Coastal Investment Advisors' fee. Under many of these platforms and programs, there are no separate commissions or transaction costs charged to clients, unless the program's maximum trade limit has been exceeded, in which case a ticket charge will be charged for each transaction over the limit defined in the program. In addition, many of these platforms and programs do not charge separate administrative, custodial, or reporting fees. Such an "all-inclusive" or "bundled" fee structure is often otherwise referred to as a "wrap fee."

Certain platforms charge an "unbundled" fee, meaning fees for execution, custodial, reporting, and/or administrative services are not combined with the Money Manager fees and/or Coastal Investment Advisors' fees. Also, certain platforms will charge execution costs in the form of an asset-based fee. Depending upon the platform selected, there may not be an option for "householding" accounts for fee discounts.

In all cases, clients should carefully review each Disclosure Document maintained by Money Managers that have been selected to manage their assets, as well as the Disclosure Document for each wrap fee program that they participate in, for complete details on the charges and fees clients will incur. Such additional Disclosure Documents, as applicable, will be provided to clients by Coastal Investment Advisors' Financial Advisor.

The fees clients pay the Money Manager and Coastal Investment Advisors may be shown on clients' custodial statements as one gross fee or in some cases, may be listed as separate fees. Additionally, clients may request that fees be broken out. In this case, the client will make this request on the client advisory agreement and will see two to three separate charges depending on the custodial reporting requirements. Some platforms and programs may require an additional advisory agreement with clients in addition to the agreement clients execute with Coastal Investment Advisors. Similarly, certain platforms and programs may require clients to complete brokerage account documents necessary to open new brokerage accounts. Access to certain Money Managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the Money Managers,

platforms, and programs selected. Certain platforms and programs administered by Coastal Investment Advisors and/or made available to clients by Coastal Investment Advisors' Financial Advisors may be available through other independent investment advisors, and in certain instances, directly via the Custodian or other third-party administering the platform or program. In addition, clients may be able to access certain Money Managers directly. As such, clients may be able to access such Money Managers, platforms, and programs at a lower cost through other channels. Further, it may be possible for a client to access Money Managers directly or through other platforms or programs for an "unbundled" fee that is lower than the "bundled" fee that is available through Coastal Investment Advisors' Financial Advisors.

#### **Private Investment Management (PIM) Program Fees**

Annual fees charged under these programs are billed quarterly in advance and are deducted directly from your accounts. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged in PIM equity and fixed income accounts shall not exceed 3.00% annually. Minimum account size is \$50,000.00, and minimum Program Fee is \$225. Fees charged on accounts are negotiable.

PIM's management fee includes up to 120 transactions per calendar year. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types other than ERISA and IRA accounts. Costs for transactions greater than 120 per calendar year are priced and charged at CIA's cost.

#### **Asset Advisor Program Fees**

The maximum annual fee charged in Asset Advisor accounts shall not exceed 3.00% annually. Minimum account size is \$25,000.00 and minimum Program Fee is \$150.00. Fees charged on accounts are negotiable.

Asset Advisor's management fee includes up to 120 transactions per calendar year. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types.

#### **Allocation Advisors, Masters, Diversified Managed Allocations (DMA) and Wells Fargo Compass Program Fees**

Annual fees charged under these programs are billed quarterly in advance and deducted directly from your account. When fees are negotiable, the main factor is the amount of assets under management, but other factors may include your level of service in other CIA programs and the complexity of your overall situation.

The annualized fee charged under the **Allocation Advisors Program**, which is negotiable, is 2.25%. There is a minimum quarterly client fee of \$125. If you select a Portfolio developed by an unaffiliated investment adviser, the investment adviser will be compensated from 0.05% - 0.20% annually.

The annualized fee charged under the **Masters Program**, which is negotiable, is 2.5%. There is a minimum quarterly fee of \$375. This fee includes a portion directed to the money managers which typically ranges between 0.10% to 0.65% annually based on total aggregate client dollars with each adviser.

The annualized fee charged under the **Diversified Managed Allocations (DMA) Program**, which is negotiable, is 2.5%. This fee includes a portion directed to the money managers selected in the client's account. There is a minimum quarterly fee of \$375. The annual money manager fee does not exceed one-half of the overall fee charged to you.

The annualized fee charged under the **Wells Fargo Compass Advisory Program**, which is negotiable, is 2.25%. There is a minimum quarterly client fee of \$250.

#### **Private Advisor Network (Network) Fees**

Wells Fargo offers a choice of two options to compensate for Private Advisor Network services. The two options are (1) payment of a fee for Private Advisor Network services and execution charges or (2) an execution schedule for services and execution charges. The

annualized fee charged under the Private Advisor Network, which is negotiable, is 2.05%. There is a minimum quarterly fee requirement of \$375.00. Fees charged by money managers selected under the Network program are billed and collected separately from the annual fee retained by us. Under the Execution Schedule, you pay for Private Advisor Network services by paying commissions for each transaction in the account at the normal commission rate for such agency transactions and at the normal markup or markdown imposed on your accounts for principal transactions. You are also subject to any other fees associated with standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees, and any other fees required by law. In addition, if household assets are less than \$250,000, you will be subject to Wells Fargo's annual account fee. Neither the Execution Schedule nor Program Fee includes the advisory fees of the third-party investment manager. You pay for the services of your investment adviser separately.

#### **CustomChoice, FundSource and Pathways Program Fees**

Fees charged under these three programs are billed quarterly in advance and are deducted directly from your account. When fees are negotiable, the main factor is the amount of assets under management, but other factors include your level of service in other CIA programs and the complexity of your overall situation. There is a minimum Program Fee of \$75 per quarter, with the exception of the Foundations model series, which will be charged a minimum Program Fee of \$37.50 per quarter due to the lower initial investment minimum.

The standard fee schedule under each of the CustomChoice, FundSource and Pathways Programs is 2%.

### COASTAL INVESTMENT ADVISOR REPRESENTATIVE MANAGED PROGRAMS SPONSORED BY CIA

#### **Coastal Asset Management Investment Strategies (CAM-IS)**

Client accounts that utilize CAM-IS for fee-based accounts will incur a monthly AUM based fee for the risk profiling and portfolio management services offered by CAM-IS which is in addition to the Advisory Fee set forth in your Investment Advisory Agreement. The annual fees are as follows:

<u>ETF Only Portfolios:</u>	0.55%
<u>Individual Equity/ETF Portfolios:</u>	0.60%

Accounts are subject to additional transaction fees of \$5.00 per buy/sell transaction. Transactions occur in the creation of a new CAM-IS portfolio made up of less than 20 securities for an all ETF portfolio and approximately 50 securities for an individual equity and ETF portfolio. On an ongoing basis, transactions are created through the ordinary fundamentally-based active management of the portfolios and rebalancing activities which are limited to no more than two rebalances per year.

#### **Advisor as Portfolio Manager (APM) Program Fees**

Annual fees charged under the APM program are billed monthly in advance and usually deducted directly from your Account. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for APM program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$250.

The initial fee for the first month (or part thereof) in which you participate in the APM Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program Fee will be reimbursed to you.

The cost for transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types other than ERISA and IRA accounts.

#### **InvestNet Separately Managed Account (SMA) Program Fees**

Annual fees charged under the SMA program are billed monthly in advance and usually deducted directly from your Account. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for SMA program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$600.

The initial fee for the first month (or part thereof) in which you participate in the SMA Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program fee will be reimbursed to you.

#### **InvestNet Unified Managed Account (UMA) Program Fees**

Annual fees charged under the UMA program are billed monthly in advance and usually deducted directly from your Account. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for UMA program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$675.

The initial fee for the first month (or part thereof) in which you participate in the UMA Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program fee will be reimbursed to you.

#### **FEES FOR FINANCIAL PLANNING SERVICES**

Fees are negotiated between the Financial Advisor and the client on a case-by-case basis. They may be charged on an hourly or fixed fee basis. Once determined, the fee arrangement is set forth in the Client Agreement with Coastal Investment Advisors.

**Hourly Fees.** Hourly rates range from \$60 to \$400 per hour based upon the knowledge and experience of the individual providing the work. Fees are billed in 15-minute increments. Hourly fees will be billed monthly as the work is provided (in arrears).

**Fixed Fees.** Fees are typically determined by estimating the number of hours to be spent preparing the plan and then quoting a fixed price. If additional work is requested (that goes beyond the original scope of the project), it may be billed on an hourly basis or a fixed price basis as negotiated. Fixed fees will be invoiced monthly or quarterly depending upon the negotiated agreement with the client and the anticipated delivery of the plan. Other limited planning services are billed monthly. In addition, some or all of the financial planning fees may be included in the investment management fees agreed upon by clients and their Financial Advisor. Financial planning is not always billed separately. Total costs for financial plans, whether per hour or on a fixed basis, may range from as little as \$500 to as much as \$5,000 or more. There is no "typical" plan, as services are customized to the particular needs of the client; thus there is a wide range of fees that may be imposed. Should a contract be terminated prior to the service being delivered, Coastal Investment Advisors will bill for work completed. In the case of prepayment of fees, the prorated refund will be based upon the hourly rate of the individuals who provided services.



## RETIREMENT PLANS AND PLAN PARTICIPANTS ADVISORY SERVICE FEES

Fees for Advisory Services to Retirement Plans and Plan Participants are charged on either a 1) flat fee basis, 2) percentage of a plan's assets, or 3) on a combination of these methods, as agreed to between CIA and the Plan Sponsor. The exact fee charged will depend on the variables, such as the number of participants, the amount of assets in the Plan, the complexity of the situation, the location of the client, and the advisory representative providing services. In the event fees are charged based on the percentage of the Plan assets, the maximum fee charged will not exceed 2.00% annually. The fee charged for reviewing individual Participant accounts is contingent upon the amount of assets held within the accounts being reviewed and the number of accounts being reviewed. In the event fees are charged based on the percentage of the Participant's Plan assets, the maximum fee charged will not exceed 2.00% annually. Participant fees may be paid by the Participant or the Plan Sponsor depending on the agreement between the Plan Sponsor and CIA. Services may be provided on a one-time or on-going basis. Upon execution of a client agreement, the client will have five (5) business days to end services with no penalty (i.e. no fees due or refund of any fees paid in advance). The annual fee may be divided and collected monthly, quarterly, or semi-annually depending on the agreement. In the event the entire annual fee is collected in advance, the fee will be considered earned when paid. In these cases, CIA does not provide a refund if the service is ended after the initial five (5) day period.

The exact fee charged and the billing arrangements will be agreed upon before commencing services. The fee and fee arrangements will be detailed in the client agreement.

Clients shall also incur certain charges imposed by third parties other than us in connection with investments made through a Plan, which are not included in the fee paid to CIA.

## GENERAL INFORMATION ON ADVISORY SERVICES AND FEES

**Fee Differentials.** As indicated above, CIA may price its services based upon assets under management or other subjective factors, and fees and costs, such as ticket charges, are typically set or negotiated by each Financial Advisor, subject to our maximum fee schedule set forth above. As a result, any CIA client could pay fees and costs that are higher or lower than the fees and costs charged to other CIA clients, based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by CIA to any particular client could be available from other advisers at lower fees and costs. All clients and prospective clients should be guided accordingly.

**Termination.** All advisory agreements may be terminated upon written notification by either party at any time, or in accordance with any written advisory agreement. Upon termination, clients will receive refunds of the prepaid and unearned advisory fees (prorated for the balance of the month, if needed). If services have been provided, and are therefore due and payable, clients will receive an invoice with the amount due. Any transactional or custodial charges levied by the custodian after the termination of Coastal Investment Advisors' advisory agreement will be the client's responsibility and not the responsibility of Coastal Investment Advisors. Coastal Investment Advisors has no obligation to refund these fees to its clients.

**Calculation of Fees.** CIA Advisory fees are billed based upon the current market value balance in clients' account(s) at the end of the month, in advance. Some platforms and programs charge fees in arrears, and some in advance. These are outlined in the applicable program's Disclosure Document. Each client's billing specifics and election (where applicable) are listed in its client advisory agreement.

### **Additional Costs.**

Mutual Funds: All fees paid to Coastal Investment Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients should review such additional fees and the fees Coastal Investment Advisors charges to understand the total amount of fees paid, as investments in mutual funds may be made by clients, independent of and without the services provided by Coastal Investment Advisors. Although Coastal Investment Advisors' Financial Advisors generally recommend and purchase only no-load or load-waived mutual funds for client advisory accounts,

some funds may impose an initial or deferred sales charge. Clients may also own some of these funds when they transfer their account(s) to Coastal Investment Advisors.

Mutual fund families may offer different share classes. CIA and its Financial Advisors will select the share class that is in the best interest of the client. Depending upon share class, Coastal Investment Advisors may participate indirectly in the sales charges imposed by mutual funds through its affiliated broker/dealer, Coastal Equities, Inc. CEI will receive 12b-1 fees in connection with certain mutual fund share classes purchased for clients' accounts, including certain money market funds. These fees will not offset advisory fees paid by clients to Coastal Investment Advisors. If a less expensive share class is available from the fund family, CIA and its Financial Advisors will purchase that share class. If no such share class is available from the fund family, or if the investor account is not eligible for a less expensive share class, then CIA and its Financial Advisor will purchase the available share class and the firm's affiliate will receive the 12b-1 fees. Neither CIA nor CEI approve products or share classes on the basis of whether 12b-1 fees or like compensation is paid to the firm or its Advisors. Neither CEI nor CIA incent Financial Advisors to purchase products or share classes on the basis of 12b-1 fee availability in any fashion, including sales contests, production bonuses, or differential compensation based upon product class.

Some of the Wells Fargo Advisory products will credit 12b-1 fees received to the client account.

Alternative Investments: Virtually all investments purchased by prospectus or private placement memorandum have internal fees that are borne by the client in addition to any trading, execution, or Coastal Investment Advisors advisory fees. When such products are purchased through CIA's affiliate broker-dealer, it will receive direct or indirect compensation on such products sold through it including sales concessions, marketing fees, expense reimbursement for educational compliance and due diligence, and/or sales conference sponsorships. Coastal Investment Advisors is not compensated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of any client. Receipt of such compensation by CIA's affiliate creates a conflict of interest to recommend products offered by its affiliate. The firm mitigates this risk by waiving sales concessions on such products when possible, whereas purchasing the same investment from a third-party broker dealer would cost the client a commission or fee. The firm further mitigates this conflict by requiring pre-approval of the product by the firm prior to purchase and by offering no economic incentives to the investment adviser to recommend or purchase certain products over others. Coastal Investment Advisors' advisory fees are charged only as described within this Disclosure Document. For most products, even where the sales concession is waived by CEI, CEI will receive payment for such products in the nature of a dealer reallowance fee.

**Additional compensation.** Some of CIA's Financial Advisors may also receive compensation for the sale of securities or other investment products or insurance, including variable annuities or variable life products. Please see Item 10, below, for further information. This practice presents a conflict of interest and can give the Firm and its Financial Advisors an incentive to recommend investment products based on the compensation received, rather than on the client's needs. No client is under any obligation to purchase any securities or insurance commission products from CIA and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by CIA through other, non-affiliated broker-dealers and/or insurance agencies.

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

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The firm does not accept performance- based fees.

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### *Item 7 – Types of Clients*

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Clients of Coastal Investment Advisors' Financial Advisors include individuals, individual retirement accounts ("IRAs"), pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), participants in such plans, charitable organizations, corporations, businesses, institutions, trusts, and estates.

#### Conditions for Managed Accounts

Wrap accounts sponsored by Wells Fargo require a minimum account size of \$25,000. The minimum account size for Wells Fargo separate account manager programs is \$50,000. Client directed and advisor directed accounts also require a minimum account size of \$50,000. Depending on the specific program selected by you, a higher minimum will be required. Account minimums may be waived at the discretion of CIA and/or Wells Fargo. If you contract for a Wells Fargo sponsored program, you are required to enter into a Wells Fargo client agreement and will receive a copy of the Wells Fargo sponsored program disclosure brochure.

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

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#### **Investing in securities involves risk of loss that clients should be prepared to bear.**

The Firm's Financial Advisors strive to learn the client's goals, risk tolerance and time horizon through a verbal interview process. Upon identification of appropriate strategies that are suited to fit the client's needs, Coastal Investment Advisors or the Financial Advisor will recommend investment management strategies to help a client achieve his or her financial goals.

Specific investment strategies vary in accordance with the specific needs of each client. For most clients, Financial Advisors attempt to design a strategy based on the concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities). Asset allocation seeks efficient diversification of assets in an attempt to lessen the risk of concentrated exposure to a particular security or asset class.

Coastal Investment Advisors may use trading strategies that involve frequent trading of securities. Frequent trading strategies may negatively affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Coastal Investment Advisors' methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. The firm uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Coastal Investment Advisors uses Long Term Trading, Short Term Trading, and Options Writing Strategies (including covered options, uncovered options, or spreading strategies) that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

Other investment strategies may be chosen by the Financial Advisor or Money Manager if they meet a client's particular financial needs, risk profile, and overall investment strategy. Cash management and some treasury services may also be offered. Financial Advisors may recommend that Advisory Clients engage in margin transactions. Purchasing securities on margin can amplify potential returns and losses. As such, purchasing securities on margin may result in losses greater than an Advisory Client's original principal. Clients should carefully review disclosures regarding risks, fees, and other considerations appearing in margin account agreements prior to opening margin accounts.

**Unaffiliated Private Investment Funds.** CIA may also provide investment advice regarding unaffiliated private investment funds. CIA, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. CIA's role relative to the private investment funds is limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the assets invested in the fund(s) shall generally be included as part of "assets under management" for purposes of CIA calculating its investment advisory fee (unless the client purchases the fund on a commission basis from CIA's affiliated broker-dealer). CIA's clients are under no obligation to consider or make an investment in a private investment fund(s).

Private investment funds generally involve unique risks, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and shall acknowledge and accept all risk factors that are associated with such an investment.

If CIA references private investment funds owned by the client on any supplemental account reports prepared by CIA, the value(s) for all the private investment funds will reflect either the initial purchase and/or the most recent valuation provided by fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

**Client Obligations.** In performing its services, CIA is not required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely on that information. Moreover, it is the client's responsibility to notify CIA promptly upon any change in the client's financial situation or investment objectives. If the client does not provide this notice or information, CIA and its Financial Advisors will not be in a position to perform an accurate review, evaluation or revision of their previous recommendations and/or services.

**Non-Discretionary Service Limitations.** CIA's Financial Advisors generally provide investment advice on a discretionary basis -- meaning that the Financial Advisor is authorized to make transactions on the client's behalf in the client's account at the discretion of the advisor. If a client engages CIA on a non-discretionary investment advisory basis, the client must be willing to accept that CIA cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, if the client is unavailable during a market event, CIA will be unable to effect any account transactions (as it would for its discretionary clients) because it must first obtain the client's verbal consent.

**Investment Risk.** Different types of investments involve varying degrees of risk. No one should assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CIA) will be profitable or equal any specific performance level(s).

#### **Types of Investments and Risks**

Depending on the type of service being provided, CIA and Financial Advisors can recommend different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, ETFs, collective investment trusts, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that

clients should be prepared to bear. Described below are some risks associated with investing and with some types of investments that an Financial Advisor can recommend depending on the service provided.

- *Market Risk.* This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- *Interest Rate Risk.* This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- *Credit Risk.* This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- *Issuer-Specific Risk.* This is the risk that the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.
- *Investment Company Risk.* To the extent a client account invests in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a client account invests in other investment companies, the client account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- *Concentration Risk.* To the extent a client account concentrates its investments by investing a significant portion of its assets in the securities of a single issuer, industry, sector, country or region, the overall adverse impact on the client of adverse developments in the business of such issuer, such industry or such government could be considerably greater than if they did not concentrate their investments to such an extent.
- *Sector Risk.* To the extent a client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or subsectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. The several industries that constitute a sector may all react in the same way to economic, political or regulatory events. A client account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.
- *Alternative Strategy Mutual Funds.* Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- *Closed-End/Interval Funds.* Clients should be aware that closed-end funds available within the program may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, clients may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an "interval fund"). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, but there is no guarantee that clients will be able to sell all of the shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- *Exchange-Traded Funds (ETFs).* ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at

a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.

- *Exchange-Traded Notes (ETNs).* An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks. ETNs may be closed and liquidated at the discretion of the issuing company.
- *Leveraged and Inverse ETFs, ETNs and Mutual Funds.* Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index’s return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual resetting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.
- *Options.* Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- *Structured Products.* Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer’s ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer’s credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker



symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

- *High-Yield Debt.* High-yield debt is issued by companies or municipalities that do not qualify for “investment grade” ratings by one or more rating agencies. The below investment grade designation is based on the rating agency’s opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer’s financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond’s market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- *Hedge Funds and Managed Futures.* Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.
- *Business Development Companies (BDCs).* BDCs are typically closed-end investment companies. Some BDCs primarily invest in the corporate debt and equity of private companies and may offer attractive yields generated through high credit risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private REITs and limited partnerships, investors are exposed to significant market, credit and liquidity risks. In addition, fueled by the availability of low-cost financing, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of nontraded BDCs, investors’ exit opportunities may be limited only to periodic share repurchases by the BDC at high discounts.
- *Variable Annuities.* If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.
- *Company Stock.* If company stock is available as an investment option to client in a retirement plan, and if client chooses to invest in company stock, client should understand the risks associated with holding company stock in a retirement plan. These risks may include, but are not necessarily limited to, lack of liquidity, over-dependency on client’s employer, and less flexibility to change the allocation of plan assets. Client should pay careful consideration to the benefits of a diversified portfolio. Although diversification is not a guarantee against loss, it can be an effective strategy to help manage investment risk.
- *Risk of Full Account Liquidations:* Upon proper notification to liquidate your holdings in any advisory program, we will in an orderly and efficient manner proceed with the liquidation request. You must consider that liquidating assets may result in tax consequences that should be discussed with your tax advisor. We are under no obligation to affect any transaction for you that we believe to be improper under applicable law, rule or regulation.
- *Risk in the Use of Short Selling:* When short selling, the losses can be unlimited. A security is not limited on how high its price can go. Thus, losses can be infinite.
- *Risk in the Use of Margin:* When purchasing securities, you may pay for the securities in full or may borrow part of the purchase price from the broker/dealer. In order to borrow funds in connection with the account, you will be required to open a margin account, which will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer’s collateral for the funds loaned.

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### *Item 9 – Disciplinary Information*

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Coastal Investment Advisors or the integrity of Coastal Investment Advisors' management.

On December 11, 2017, the firm consented to entry of an order with the SEC resolving allegations by the SEC that the firm failed reasonably to supervise its former CEO by not having in place, until 2013, reasonable policies and procedures for the creation, use and review of a certain type of consolidated reports. The firm consented to entry of an order of censure and a \$40,000 fine.

On March 11, 2019, the firm consented to entry of an order with the SEC concerning receipt of mutual fund 12b-1 fees by the firm's affiliate broker dealer. As part of the Securities Exchange Commission's (SEC) Mutual Fund Share Class Selection Disclosure Initiative, the SEC encouraged investment advisers to self-report the failure to adequately disclose conflicts of interest associated with the recommendation or selection of a mutual fund share class that charged distribution fees ("12b-1 fees") when a lower-cost share class of the same fund existed. For companies who self-reported, the SEC indicated it would recommend favorable standardized settlement terms, including no penalties. Coastal elected to join the SEC's industry-wide voluntary initiative regarding fees collected on certain mutual fund classes between 2014 and 2018. The firm consented to entry of an order of censure and restitution. Coastal refunded the associated 12b-1 fees and interest to clients who held those types of funds during this time period.

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

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CIA is affiliated with other financial services firms.

Coastal Equities, Inc., is our affiliated broker/dealer. Many of our Financial Advisors are registered representatives of CEI. They may provide analysis of and recommend the purchase and sale of securities through CEI.

Coastal Equities Insurance Agency, Inc. and Coastal Risk Advisors, LLC, are licensed as general insurance brokers and agencies. Properly licensed Financial Advisors may provide analysis of and recommend the purchase and sale of certain insurance products.

CIA or its affiliates may receive a commission or other form of compensation in connection with these securities or insurance transactions and may compensate Financial Advisors with a percentage of commissions or other forms of compensation. Clients are not obligated to use any of these affiliated entities as their broker-dealer, insurance broker or agent, or to use any recommended insurance company for any recommended insurance transaction.

Coastal Investment Advisors may utilize outside insurance agencies or brokers for help with the analysis and recommendation of insurance products and/or for insurance licensing and appointments with various states and insurance companies.

**Time Spent on Other Activities.** Principals of Coastal Investment Advisors may spend up to 90% of their time on other related or non-related activities, including management of the firm, recruiting, and registered representative activities, including the sale of commissionable products through CEI and/or the sale or recommendation of insurance products.



**Broker/Dealer.** CEI is a member of FINRA, the Municipal Securities Rulemaking Board ("MSRB"), and SIPC and is registered in various states as required. CEI is an introducing broker/dealer with a fully-disclosed clearing arrangement through Wells Fargo Clearing Services, LLC.

**Conflict of Interest.** The recommendation by CIA representatives that a client purchase a securities or insurance product from the firm's affiliated broker-dealer or insurance agency presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from CIA and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by CIA through other, non-affiliated broker-dealers and/or insurance agencies. CIA's Chief Compliance Officer, Francis J. Skinner, is available to address any questions that a client or prospective client may have regarding this conflict of interest.

**Non-Investment Consulting/Implementation Services.** CIA or its Financial Advisors may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Although certain of its representatives may be separately licensed in other capacities, CIA is not a law firm or accounting firm, none of its representatives is authorized to act as an attorney or accountant on behalf of the firm, and no portion of CIA's services should be construed as legal or accounting services. CIA or its Financial Advisors may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including, as disclosed below, CIA representatives in their separate capacities as attorneys, CPAs, tax preparers, mortgage brokers, registered representatives and/or licensed agents of CIA's affiliated broker-dealer or insurance agencies. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from CIA.

If the client engages any recommended professional, and a dispute relating to that engagement arises later, the client agrees to seek recourse exclusively from and against the engaged professional. It is always the client's responsibility to notify CIA promptly upon any change in the client's financial situation or investment objectives. If the client does not provide this notice or information, CIA and its Financial Advisors will not be in a position to evaluate or reconsider their previous recommendations for products, services or service providers.

Coastal Investment Advisors has adopted a Code of Ethics pursuant to the SEC's rules. Our Code of Ethics describes the high standard of business conduct we expect from our Financial Advisors and other members of our staff, and the fiduciary duty we each owe our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumormongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other topics. All supervised persons at Coastal Investment Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

The firm or its related persons may recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons have a material financial interest. Under certain circumstances, this may present a conflict of interest. Coastal Investment Advisors' Code of Ethics addresses this conflict; employees and associated persons are required to follow the Firm's policy and applicable laws. Subject to these requirements, officers, directors and employees of Coastal Investment Advisors and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Coastal Investment Advisors' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Coastal Investment Advisors will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Coastal Investment Advisors' clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. The firm regularly monitors employee trading to ensure that clients' interests are protected in the event of any conflict of interest between Coastal Investment Advisors' Financial Advisor and a client.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Coastal Investment Advisors' obligation of best execution. In these circumstances, the affiliated accounts and client accounts will share commission costs equally and receive securities at a total average price. Coastal Investment Advisors will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Coastal Investment Advisors' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Francis J. Skinner, Chief Compliance Officer.

It is Coastal Investment Advisors' policy that the firm will not effect any principal or agency cross securities transactions for client accounts unless it is in the best interest of the client and no client is disadvantaged by the trade. Coastal Investment Advisors will also not cross trades between client accounts unless in the best interest of the client and no client is disadvantaged by the trade. The firm has reasonable procedures in place to enforce this policy. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, and creates a conflict of interest because an incentive for additional compensation exists.

## Conflicts of Interest

In the servicing of your account we may engage in activities in which we have material conflicts of interest. A description of each of these material conflicts, and how we mitigate them, appears below:

### Third party payments from investment vehicles

Some of the products available on our platform from time to time may offer to pay for travel, lodging and meals for our Financial Advisors to educate them about a particular product. Some of these events may occur over several days and be held in high end resorts. This could create a conflict in inducing the advisor to recommend that particular product. We mitigate this conflict by requiring firm pre-approval of all such offers by the product sponsor. The firm further mitigates this conflict by requiring supervisory pre-approval of all alternative complex product sales, which are the most frequent providers of this type of education.

Some of the products available on our platform from time to time may offer to pay for lunches, sporting events, customer or prospective customer seminars, dinners or other events. This could create a conflict in inducing the advisor to recommend that particular product. We mitigate this conflict by periodic review of customer account holdings as compared to that account's stated goals and objectives.

Third parties may from time to time financially support the firm or firm affiliate's educational, compliance, and sales events. This could create an incentive to recommend products sponsored by those firms.

Our affiliates may participate in revenue sharing agreements with third party sponsors. This could create an incentive to recommend products sponsored by those firms.

Our affiliates may receive payments from third parties as compensation for due diligence review of their prospective product.

### Trading Revenue

The firm engages in selling agreements with various third parties. In many cases these products offer selling agreements to the firm's affiliated broker-dealer which provide for a selling concession that is paid to the firm's affiliated broker-dealer. This could incent the firm to recommend products that pay a reallocation or concession to its affiliate instead of other products or similar products offered by other firms. The firm mitigates this risk by requiring pre-approval of the transaction and monitoring accounts.

Complex products, alternative products, BDCs, non-traded REITs, DPPs and Reg D products generally carry higher sales charges and operating expenses which may generate higher fees to the firm's affiliates, creating an incentive to recommend them over lower expense products. The firm mitigates this risk by requiring pre-approval of such transactions and a waiver of the sales concession if an RIA designed share class is unavailable.

The firm and its FAs may recommend that customers rollover or transfer taxable accounts from a plan sponsor or another financial institutions. This may result in increased fees related to the rollover or transfer and will result in increased assets upon which fees or commissions could be generated for the firm or its affiliates. This could create an incentive for the firm or its FAs to recommend such rollovers or transfers.

The firm's affiliated broker-dealer may benefit from idle cash and money market sweep options either through fees paid from deposits or free credit balances. This could result in a recommendation to hold excess cash. The firm monitors customer accounts to identify large cash

positions which are not in the best interest of the client, or alternatively the Financial Advisor does not charge fees on such cash positions. Money market sweep option selections should be carefully considered from a fiduciary standpoint.

The firm or its affiliates may earn referral fees for referrals it makes to banks and insurance companies.

The firm may recommend third party advisers and receive compensation from that advisor. This could incent the firm to recommend higher paying advisers over lower ones resulting in increased costs to customers.

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### *Item 12 – Brokerage Practices*

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#### The Custodian and Brokers We Use

Coastal Investment Advisors does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We currently use Trust Company of America (“TCA”), a Colorado bank and member FDIC, Maxim Group, LLC (“Maxim,”) a registered broker-dealer, member SIPC, Motif Investing, Inc. (“Motif,”) a registered broker-dealer, member SIPC, or our affiliate, Coastal Equities, Inc. (“CEI”), a registered broker-dealer, member SIPC. CEI maintains custody and clearing of its brokerage accounts via a fully disclosed clearing agreement with Wells Fargo Clearing Services, LLC, which trades as First Clearing (“First Clearing”), a registered broker-dealer, member SIPC, a wholly owned non-bank subsidiary of Wells Fargo. We are independently owned and operated and are not affiliated with TCA, Maxim, Motif, or First Clearing, although we are affiliated with Coastal. (We refer to any of these qualified custodians as a “QC.”)

The QC will hold your assets in a brokerage account, and buy and sell securities when we instruct them to. While we recommend that you use one of the aforementioned as custodian/broker, you will decide whether to do so and will open your account with a qualified custodian by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at one of the aforementioned QCs, we can still use other brokers to execute trades for your account as described below.

#### How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- 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
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

#### Your Brokerage and Custody Costs

For our clients' accounts that a QC maintains, the QC generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your QC account.

In addition to commissions, a QC charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your QC account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we execute most trades for your account at the QC, however, in some cases, we may obtain better pricing on a security or be able to obtain a security that may not be available at the QC at a different broker-dealer.

We have determined that having a QC execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

#### Products and Services Available to Us From QC's.

QCs provide us and our clients with access to institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. QCs also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. QC's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of QC's support services:

**Services That Benefit You.** 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 include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Other products and services are available to us that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both a QC's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the QC. In addition to investment research, the QC 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 our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us.** QCs also offer other services intended to help us manage and further develop our 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

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

**Our Interest in a QC's Services.** The availability of these services benefits us because we do not have to produce or purchase them. We don't have to pay for services so long as our clients collectively keep a minimum dollar amount of their assets in accounts at the QC. That minimum dollar amount may vary with each QC. Beyond that, these services are not contingent upon our committing any specific amount of business to a QC in trading commissions or assets in custody. The applicable minimum may give us an incentive to recommend that you maintain your account with a particular QC, based on our interest in receiving services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of an aforementioned QC as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of services and not by the services that benefit only us.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

**Brokerage Discretion – Prime Brokerage.** For a number of discretionary client accounts, Coastal Investment Advisors currently has the discretionary authority to select a broker (other than a client's current Custodian) to execute a fixed income trade. Each trade placed at a broker other than a client's selected Custodian will cost the client up to \$50.00, which is charged by the Custodian to settle the trade. This is in addition to any mark-up or mark-down that may be paid to the broker/dealer Coastal Investment Advisors selects to buy or sell the security. Clients must qualify for prime brokerage to participate in these transactions. To qualify for prime brokerage transactions, clients must maintain a minimum portfolio value of \$100,000 or more and sign the appropriate prime brokerage paperwork with the custodian. Coastal Investment Advisors may use this discretionary authority to trade away from the custodian when purchasing or selling fixed income securities only. It is not used in all cases. Reasonable restrictions on this authority may be imposed, as described above.

**No Brokerage Discretion.** If a client account does not qualify for prime brokerage, Coastal Investment Advisors will not have the ability to trade at any other broker other than the client's selected Custodian (without the client's specific consent). All transactions for a client's account will be directed to its chosen Custodian unless permission is granted by a client to Coastal Investment Advisors for prime brokerage trades.

**Trade Errors.** If a trade error occurs in a client account and it is Coastal Investment Advisors' error, Coastal Investment Advisors will correct the error so the client account does not suffer a loss. However, it is possible that the client may not profit from the error, even if the correction results in a profit. For example, certain custodians keep all trade profits on an error regardless of how the error was caused.

**Block Trading (Mini Blocks) and Trade Allocations.** Coastal Investment Advisors may "aggregate" or "block" purchases or sales of the same security for multiple accounts. Each account participating in the block will receive the average price if multiple executions are required to complete the order. Coastal Investment Advisors may block multiple client accounts together that qualify for prime brokerage trading activity. Participating clients will receive the average execution price and their pro rata share of transaction costs. However, because of Coastal Investment Advisors' practice of managing portfolios on an individual basis, Coastal Investment Advisors does not frequently block transactions except for certain accounts managed in accordance with a model. Thus, Coastal Investment Advisors' ability to take advantage of volume discounts or other potential cost and execution advantages of block trades may be limited.

**Directed Brokerage.** In directing Coastal Investment Advisors to use a specific custodian and/or broker/dealer (other than those recommended by Coastal Investment Advisors) clients should understand that Coastal Investment Advisors will not have the authority to negotiate commissions among various Custodians or obtain volume discounts. This may also affect our ability to achieve best execution.

**For First Clearing accounts:** By recommending certain programs, Coastal Investment Advisors is also recommending itself and its affiliated broker/dealer, Coastal Equities, Inc. Coastal Investment Advisors has an incentive to recommend programs that generate revenue for Coastal Investment Advisors and its affiliated broker/dealer over other programs to the extent that such arrangements generate higher total income for Coastal Investment Advisors and its affiliates. In addition, clients should understand that this brokerage arrangement may cause the client to forego any potential savings on execution costs that Coastal Investment Advisors otherwise might be able to negotiate with different broker/dealers, such as reduced execution costs that may result from utilizing alternative trading services. Clients or prospective clients may contact Francis J. Skinner, Chief Compliance Officer, with questions.

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### *Item 13 – Review of Accounts*

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Advisors review client accounts on an on-going basis, including review of the account custodian's monthly or quarterly statements. Each client is offered at least an annual account review by a Financial Advisor to review items such as account statements, performance reports, investment objectives, and other data related to the client's account(s). Additional reviews may be triggered by client request, or by material market, economic or political events, or by changes in clients' financial situations (such as retirement, termination of employment, physical move, or inheritance). If the account or portion of the account is placed with a third-party money manager, the sponsor or custodian of the assets may send clients written reports and statements concerning the account.

Reviews are based on objectives and parameters established by clients, which are generally memorialized through their individual advisory agreements, investment policy statements, or investment profile.

While Financial Advisors will typically evaluate the continued suitability of specific Money Managers (as applicable), managed account platforms, and wrap programs during account reviews, the administrators of such platforms and programs (which may be Coastal Investment Advisors, a Custodian, or another third-party) may also perform their own reviews of managers appearing on the platforms and programs. Any reviews will be disclosed in the separate Disclosure Documents maintained by the administrators to applicable platforms and programs.

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

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We receive an economic benefit from QCs in the form of the support products and services made available to us and other independent investment advisers whose clients maintain their accounts with the aforementioned QCs. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12. The availability to us of products and services is not based on our giving particular investment advice, such as buying particular securities for our clients.

### ADDITIONAL COMPENSATION

**Solicitors.** Coastal Investment Advisors may directly compensate some individuals for client referrals and their on-going business, which creates a conflict of interest for those individuals. Compensation is paid and appropriate disclosures are made in compliance with the SEC

Cash Solicitation Rule 206(4)-3. The compensation paid to such third-parties generally represents a percentage of management and/or incentive fees paid by the client to Coastal Investment Advisors. The compensation paid by Coastal Investment Advisors is for the solicitation services provided by the third-party solicitor and for referring the potential client to Coastal Investment Advisors. These solicitation services include making introductions and providing information and materials about the advisory services of Coastal Investment Advisors. In no event will such solicitation services include providing investment advisory services. The compensation paid by Coastal Investment Advisors for these solicitation services is paid completely by Coastal Investment Advisors from the management fees earned, which are not increased or passed through to the referred client in any way as a result of a third-party solicitor's involvement in the introduction. Coastal may likewise also be directly compensated for client referrals to other entities pursuant to the same conditions set forth above.

CIA, CIA employees, and Financial Advisors receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with Financial Advisor, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors also pay for, or reimburse CIA for the costs associated with education or training events that are attended by CIA employees and Financial Advisors, and for CIA-sponsored or its affiliate CEI-sponsored conferences and events.

The Financial Advisor recommending a third-party money management program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee, and may or may not be shown as a separate fee on your account statements. The amount of this compensation may be more or less than what the Financial Advisor would receive if the client participated in programs of other investment advisors or paid separately for investment advice, brokerage, and other client services. Therefore, in such case, the Financial Advisor has a financial incentive to recommend one third-party money management program over other programs and services.

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#### *Item 15 – Custody*

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Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct a QC to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. The QC maintains actual custody of your assets. You will receive account statements directly from the QC at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them.

Some of our Financial Advisors, Wells Fargo, or a third-party money manager may provide their clients with periodic statements reflecting information about their accounts. Clients should compare these statements with the statements they receive from the qualified custodian who holds their account assets. Clients should notify Francis J. Skinner, Chief Compliance Officer, of any discrepancy.

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#### *Item 16 – Investment Discretion*

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#### **Discretionary**

When CIA manages a discretionary account, we require written authority to determine which securities and the amounts of securities that are bought or sold. This authority is limited by your stated investment objectives, guidelines and restrictions, and by our fiduciary



obligation to act in your best interests. We monitor advisory accounts periodically for consistency with these limitations. Depending on the Wells Fargo or other sub-advisor program for which you contracted, CIA Financial Advisors also have discretionary authority to select and remove third-party investment advisors and/or money managers. Any limitations on this discretionary authority must be included in your advisory agreement. You may change/amend these limitations in writing. In addition, the CIA Financial Advisor may be charged ticket charges when implementing transactions by the broker-dealer (and in most cases its affiliated broker-dealer CEI), the cost of which may be passed on to you at their discretion for certain account types other than ERISA and IRA accounts. Overage charges in PIM are billed at CIA's cost to eliminate any conflict from Discretionary PIM recommendations.

### **Non-Discretionary**

If you decide to grant trading authorization on a non-discretionary basis, we are required to contact you before implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis and you are unable to be reached or are slow to respond to our request, such delay can have an adverse impact on the timing of trade implementations and we may not achieve the same execution price.

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### *Item 17 – Voting Client Securities*

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Generally, CIA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Certain accounts may permit you to direct proxy ballots to a designated third-party (such as your attorney) or other outside vendor. Accounts managed by an outside sub-advisor not affiliated with CIA may grant that sub-advisor the right to vote proxies. Otherwise, you will receive proxies directly from the account custodian or investment transfer agent. In those cases we do not vote your proxies, but feel free to contact your Financial Advisor if you have a question about a particular proxy.

Some CIA Financial Advisors may, upon client request, recommend and refer the customer's account to a third-party proxy voting firm. Such services are delegated to a third-party vendor, Broadridge Financial Services, Inc., in New York, NY.

Likewise, CIA does not advise or act for you in any legal proceedings, including class actions or bankruptcies, involving securities purchased for or held in your account. Such services are delegated to a third-party vendor, Broadridge Financial Services, Inc., in New York, NY. You have the right to opt-out of such services by giving notice to CIA at the home office address listed on this Disclosure Brochure in writing, in which case you (or your legal agent) then have the sole responsibility for taking or not taking any action regarding these legal matters.

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### *Item 18 – Financial Information*

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CIA's financial condition. CIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and

has not been the subject of a bankruptcy proceeding. CIA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.