

**ITEM 1: COVER PAGE**

PART 2A OF FORM ADV FIRM BROCHURE

**SUNSTATE WEALTH MANAGEMENT, LLC**

**October 1, 2021**

CRD# 317453  
2901 S LeJeune Rd, Coral Gables, FL 33134  
Phone: (305) 567-5524  
Email: FMacastropa@sunstatefl.com

This brochure provides information about the qualifications and business practices of Sunstate Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at xxx-xxx-xxxx or via email to Fabricio Macastropa at FMacastropa@sunstatefl.com. The information in this brochure has not been approved or verified by any state securities authority. Registration by state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Sunstate Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **ITEM 2: MATERIAL CHANGES**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. Since our last annual update filed on March 2021, the following material changes have occurred:

- This Brochure is written in plain English.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. SUNSTATE WEALTH MANAGEMENT, LLC**

Sunstate Wealth Management, LLC (“Sunstate” and/or “the firm”) is an investment adviser registered with the SEC. Fabricio Macastropa is a managing member of the firm.

See Item 10 of this document for an additional discussion concerning the firm’s affiliates. Our firm’s home office is located at 2901 S LeJeune Rd, Coral Gables, FL 33134. Other investment adviser representatives of the firm are permitted to conduct their business under a “doing business as” name, otherwise known as a “DBA.”

### **B. TYPES OF ADVISORY SERVICES OFFERED**

As discussed below, our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services, including asset management, comprehensive portfolio management, and financial planning services. Our firm seeks to establish a service-oriented advisory practice with open lines of communication for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons.

Working with clients to understand their investment objectives while educating them about our process and facilitates the kind of working relationship we value.

#### **B.1. ASSET MANAGEMENT**

As part of our Asset Management service, a portfolio is created, consisting of individual stocks, bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client’s individual needs, stated goals and objectives.

#### **B.2. COMPREHENSIVE PORTFOLIO MANAGEMENT**

As part of our Comprehensive Portfolio Management service, clients will be provided a combination of asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of individual stocks, bonds, ETFs, options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client’s individual needs, stated

goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

### B.3. FINANCIAL PLANNING & CONSULTING

Our firm representatives provide a variety of standalone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients.

Implementation of the recommendations will be at the discretion of the client. Our firm provides clients with a summary of their financial situation, and observations for financial planning engagements. Financial consultations are not typically accompanied by a written summary of observations and recommendations, as the process is less formal than the planning service.

Assuming that all the information and documents requested from the client are provided promptly, plans or consultations are typically completed within 6 months of the client signing a contract with our firm.

### B.5. REFERRALS TO THIRD PARTY MONEY MANAGERS

Our firm utilizes the services of a third-party money manager for the management of certain client accounts. Investment advice and trading of securities will only be offered by or through the chosen third-party money manager. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and assist the client in understanding and evaluating the services provided by the third-party money manager. Clients will be expected to notify our firm of any changes in

their financial situation, investment objectives, or account restrictions that could affect their financial standing.

#### **B.6. TAILORING OF ADVISORY SERVICES**

Our firm offers individualized investment advice to our Asset Management and Comprehensive Portfolio Management clients. General investment advice will be offered to our Financial Planning & Consulting, Retirement Plan Consulting, and Referrals to Third Party Money Management clients. Each Asset Management and Comprehensive Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

#### **B.8. REGULATORY ASSETS UNDER MANAGEMENT**

As of December 31, 2020, Sunstate's total regulatory assets under management is \$400 million, all of which are managed on a non-discretionary basis.

### **ITEM 5: FEES AND COMPENSATION**

#### **A. COMPENSATION FOR OUR ADVISORY SERVICES**

##### **A.1. ASSET MANAGEMENT**

The maximum annual fee charged for this service will not exceed 2.00%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). In rare cases, our firm will agree to directly invoice. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

##### **A.2. COMPREHENSIVE PORTFOLIO MANAGEMENT**

The maximum annual fee charged for this service will not exceed 2.00%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). In rare cases, our firm will agree to directly invoice. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

### A.3. FINANCIAL PLANNING & CONSULTING

Our firm charges on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$350. Flat fees range from \$1,500 to \$10,000. Our firm requires a retainer of 50% of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client and due within 30 days of a financial plan being delivered or consultation rendered. Our firm will not require a retainer exceeding \$500 when services cannot be rendered within 6 months.

### A.5. REFERRALS TO THIRD PARTY MANAGERS

The total annual advisory fee for this service shall not exceed 2.00%. A portion of this fee will be paid to our firm and will be outlined in the third-party money manager's advisory agreement to be signed by the client. Clients will be provided with a copy of the chosen third-party money manager's Form ADV Part 2, all relevant Brochures, a solicitation disclosure statement detailing the fees to be paid to both firms and the third-party money manager's privacy policy. All fees that our firm receives from the third-party money managers and the written separate disclosures made to clients regarding these fees comply with applicable state statutes and rules. The billing procedures for this service vary based on the chosen third-party money manager. The total fee to be charged, as well as the billing cycle, will be detailed in the third-party money manager's ADV Part 2A and separate advisory agreement to be signed by the client.

## B. TERMINATION OF AGREEMENT - REFUNDS

Either party may terminate the advisory agreement signed with our firm for Asset Management and Comprehensive Portfolio Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

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

## C. PORTFOLIO VALUES FOR FEE CALCULATIONS

For purposes of calculating the amount of any asset-based fee owned and payable to Sunstate Wealth Management, LLC, Sunstate utilizes the independent pricing services and/or qualified custodians to obtain timely valuation information for advisory client securities.

## D. MUTUAL FUND FEES

All fees paid to Sunstate for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or exchange traded funds ("ETFs") in which we may invest your assets. 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. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Our fees pay for our services in advising you as to the investment of your assets including, among other things, our assistance in deciding which mutual fund or funds may be most appropriate to your financial condition and objectives. The mutual fund fees and expenses, on the other hand, pay for the costs of managing and investing the fund's portfolio of investments. A client could invest in a mutual fund directly, without our services, but the client would not receive the benefit of our services. Clients should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Clients should also understand that mutual funds offer a variety of share classes, some including fees that are more expensive than others and some with no fees. The fund prospectus will describe these fees. Mutual funds typically offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail mutual fund share classes (typically, Class A, B and C shares), mutual funds may also offer institutional or advisor share classes (the "lower cost share classes") or other share classes that are designed for purchase in an account enrolled in an investment advisory program (typically, Class I, "institutional", "investor" etc.). These lower cost share classes usually have a lower expense ratio than other share classes. Furthermore, when an account purchases Class A Shares, the firm could receive from the mutual fund 12b-1 Service/Distribution fees that are charged to you by the mutual fund. Class I Shares



generally are not subject to 12b-1 Service/Distribution fees. Because of the different expenses of the mutual fund share classes, it is generally more expensive for you to own Class A Shares than Class I Shares, and because some firms earn additional revenue in connection with the purchase of Class A Shares in your Account, they have a financial incentive to recommend Class A Shares for your account even though Class I Shares may be available in the same or a comparable mutual fund.

Sunstate and its advisory representatives typically do not have a financial incentive to recommend or select share classes that have higher expense ratios because as an investment adviser, Sunstate and its representatives do not collect those fees. The 12b-1 fees are typically retained by the custodian or broker and do not get forwarded to the investment adviser. As a guideline, we encourage our IARs to utilize lower cost share classes, however, clients may still be invested in other higher cost share classes with higher internal expenses when no lower cost share classes for a particular fund is available or the client is not eligible for the lower cost share classes due to the inability of the client to meet the investment minimums or any other restrictions imposed by the custodian.

#### E. ADDITIONAL FEES & EXPENSES

In addition to the advisory fees we charge, you are also responsible for fees and expenses charged by custodians and imposed by broker/dealers. These additional charges include transaction charges, custodial fees, and commission costs. Please refer to the “Brokerage Practices” section of this Form ADV (Item 12) for additional information.

#### F. ADVISORY FEES IN GENERAL

You should be aware that similar advisory services may or may not be available from other registered (or unregistered) investment advisors for similar or lower fees.

#### G. COMMISSIONABLE SECURITIES SALES

Representatives of our firm are not registered with a securities broker dealer at this time. As such they are not able to accept compensation for the sale of securities or other investment products, including distribution or service (“trail”) fees from the sale of mutual funds.

#### H. CONFLICTS CREATED BY OUR FEE STRUCTURE

Although we endeavor to always act in your best interest, our firm has an inherent conflict of interest in recommending you rollover or transfer your accounts to an account managed by us since we have an incentive to generate compensation for the firm. You should be aware that similar advisory services may or may not be available from other registered (or unregistered) investment advisors for similar or lower fees.

## **ITEM 6: PERFORMANCE - BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We may charge performance-based fees to non-US resident clients. The amount of the performance-based fee we charge is described in the “Fees and Compensation - Item 5” section in this Brochure.

Performance based fee arrangements may create an incentive for Sunstate to recommend investments, which may be riskier or more speculative than those, which would be recommended under a different fee arrangement.

## **ITEM 7: TYPES OF CLIENTS**

Our firm has the following types of clients:

- Individuals (other than high net worth individuals) (US persons and Foreign Nationals)
- High net worth individuals (US persons and Foreign Nationals)
- Corporations (US and Foreign)

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **A. METHODS OF ANALYSIS & INVESTMENT STRATEGIES**

The financial advisor you work with has the independence to take the approach that he or she believes is most appropriate when analyzing investment products and strategies for clients. The financial advisor chooses his or her own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable.

When developing recommendations for you, IARs compare your financial goals with your investment risk tolerance and the risk and potential return of a specific investment. IARs have wide latitude in designing investment strategies.

Investing in securities involves risks those investors should be sure they understand and should be prepared to bear. No investment strategy will guarantee a profit or prevent losses. There are some common approaches that may be used by Sunstate or your IAR in the course of providing advice to clients as described below:

- **Asset Allocation:** An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset

classes—equities (stocks), fixed income (bonds), and cash or cash equivalents— each of which have different risk and rewards. Asset classes are further divided into domestic and foreign investments with equities divided into small, mid and large capitalization. Bonds have varying durations and credit quality. By diversifying a portfolio amongst a wide range of asset classes, investors seek to reduce (but not eliminate) the overall risk of a portfolio through avoiding overexposure to any one asset class during various market cycles.

Strategic and tactical asset allocation (or a combination of both) may be utilized with domestic mutual funds, exchange traded funds, or stocks and bonds as the core investments. Global mutual funds, sector funds and specialty exchange-traded funds may be added as satellite positions. Portfolios will typically be further diversified among large, medium and small sized investments in an effort to control the risk associated with traditional markets. Investment strategies designed for each client are based upon specific objectives stated by the client during consultations. Clients are generally able change their specific objectives at any time. Each client executes an Investment Policy Statement that documents their specific objectives and their desired investment strategy.

- **Fundamental Analysis:** The analysis of a business's financial statements (usually to analyze the business's assets, liabilities, and earnings), health, and its competitors and markets. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom-up analysis and top-down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives: (a) to conduct a company stock valuation and predict its probable price evolution; (b) to make a projection on its business performance; (c) to evaluate its management and make internal business decisions; (d) and/or to calculate its credit risk; and (e) to find out the intrinsic value of the share.

When the objective of the analysis is to determine what stock to buy and at what price, there are two basic methodologies investors rely upon: (a) Fundamental analysis maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by purchasing the mispriced security and then waiting for the market to recognize its "mistake" and reprice the security.; and (b) Technical analysis maintains that all information is reflected already in the price of a security. Technical analysts analyze trends and believe that sentiment changes predate and predict trend changes. Investors' emotional responses to price movements lead to recognizable price chart patterns. Technical analysts also analyze historical trends to predict future price movement. Investors can use one or both of these different but complementary methods for stock picking. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

- **Technical Analysis:** A security analysis methodology for forecasting the direction of prices through the study of past market data, primarily price and volume. A fundamental principle of technical analysis is that a market's price reflects all relevant information, so

their analysis looks at the history of a security's trading pattern rather than external drivers such as economic, fundamental and news events. Therefore, price action tends to repeat itself due to investors collectively tending toward patterned behavior – hence technical analysis focuses on identifiable trends and conditions. Technical analysts also widely use market indicators of many sorts, some of which are mathematical transformations of price, often including up and down volume, advance/decline data and other inputs. These indicators are used to help assess whether an asset is trending, and if it is, the probability of its direction and of continuation. Technicians also look for relationships between price/volume indices and market indicators. Technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns. Technical analysis is widely used among traders and financial professionals and is very often used by active day traders, market makers and pit traders. The risk associated with this type of analysis is that analysts use subjective judgment to decide which pattern(s) a particular instrument reflects at a given time and what the interpretation of that pattern should be. Charting is a particular type of technical analysis, our firm reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

- **Cyclical Analysis:** A type of technical analysis that involves evaluating recurring price patterns and trends with the goal buying or selling securities based upon expected price movements or “market timing.” The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. Investing in securities involves the risk of loss that investors should be prepared to bear.
- **Third-Party Money Manager Analysis:** The analysis of the experience, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Analysis is completed by monitoring the manager’s underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of the due-diligence process, the manager’s compliance and business enterprise risks are surveyed and reviewed. A risk of investing with a third-party manager who has been successful in the past is that they may not be able to replicate that success in the future. In addition, as our firm does not control the underlying investments in a third-party manager’s portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as our firm does not control the manager’s daily business and compliance operations, our firm may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## B. RISKS

As mentioned above, regardless of the strategy or analysis used, all investments carry the risk of loss including the loss of principal invested. Some risks may be avoided or mitigated, while others are completely unavoidable. Some of the common risks you should consider prior to investing include, but are not limited to:

- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** If any type of inflation is present, a dollar today will not buy as much as a dollar at the same subsequent time, because purchasing power is eroded at the rate of inflation. Inflation tends to erode returns on investments, as well.
- **Portfolio Turnover Risk:** Active and frequent trading of securities and financial instruments in a portfolio can result in increased transaction costs, including potentially substantial brokerage commissions, fees, and other transaction costs. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result of portfolio turnover, the performance of a portfolio can be adversely impacted.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (e.g., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it (a lengthy process) before they can generate a profit. They have a greater uncertainty of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Financial Risk:** Excessive borrowing to finance a business's operations increases the uncertainty of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Liquidity Risk:** When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, we may invest portions of Client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict our ability to dispose of such investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities and result in delays in liquidity risk.
- **Fixed Income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market

risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

- **High Yield Fixed Income Securities Risk:** Investments in high-yielding, non-investment grade bonds (often referred to as "Junk Bonds") involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.
- **Foreign, Emerging Markets Risk:** Investments in these types of securities have considerable risks. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- **Structured Products Risk:** These products are often complex and involve a significant amount of risk and should only be offered to Clients who have carefully read and considered the product's offering documents, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.
- **Derivatives (Options) Risk:** Options involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss, including the loss of principal.
- **Small/Mid Cap Risk:** Stocks of small or mid-sized companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.
- **Non-Diversification Risk:** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.
- **American Depositary Receipts (ADRs):** Positions in those securities are not necessarily denominated in the same currency as the common stocks into which they may be converted. ADRs are receipts typically issued by an American bank or trust company evidencing ownership of the underlying securities. Generally, ADRs, in registered form, are designed for the U.S. securities markets. An account may invest in sponsored or unsponsored ADRs. In the case of an unsponsored ADR, a Fund is likely to bear its proportionate share of the expenses of the depository and it may have greater difficulty in receiving shareholder communications than it would have with a sponsored ADR.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. You are encouraged to consult your financial advisor, legal counsel and tax professional on an initial and continuous basis in connection with selecting and engaging in the services provided by us. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above. Your investments are not bank deposits, are not insured or guaranteed by any governmental agency, entity, or person, unless otherwise noted and, as such, may lose value.



## **ITEM 9: DISCIPLINARY INFORMATION**

Neither Sunstate nor any of its owners or employees has reportable disciplinary events.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. BROKER-DEALER OR REPRESENTATIVE REGISTRATION**

Robert Layton, the firm's Chief Compliance Officer, serves as outsourced Compliance Officer. We do not believe that the relationship creates a conflict with Sunstate because Layton is neither a control person or manages investments with any FINRA registered Broker-Dealers or State or SEC Registered Investment Advisors. Mr. Layton is director of compliance at LibScor Associates, Inc., which provides Compliance, Anti-Money Laundering, and Financial Operations consulting services

Currently there are no other representatives of the firm that are registered at FINRA member broker/dealers. Registered representatives may offer securities and receive normal and customary commissions as a result of securities transactions. Therefore, a conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn and may not necessarily be in the best interests of the client.

### **B. FUTURES OR COMMODITY REGISTRATION**

Neither Sunstate nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. MATERIAL RELATIONSHIPS MAINTAINED BY THIS ADVISORY BUSINESS AND CONFLICTS OF INTEREST**

Sunstate Wealth Management, LLC is principally owned by Sunstate BancShares, Inc.

The firm is an SEC registered investment adviser with branches located in Florida. The firm provides wealth management services, including portfolio management, financial planning, and retirement consulting, amongst other Conflicts of Interests.

Sunstate Wealth Management, LLC provides investment advisory services to advisory affiliates and their clients. Similarly, some of our control person, investment professionals, and employees may provide other services to those affiliates and their clients. We believe this risk is mitigated because your financial advisor is provided no additional financial incentive to recommend the services. The financial advisor chooses his or her own research methods, investment style and management philosophy, and both the firm and the investment advisor representative are fiduciaries. When developing recommendations for

you, IARs compare your financial goals with your investment risk tolerance and the risk and potential return of a specific investment. IARs have wide latitude in designing investment strategies and choosing sub-advisers.

Clients are under no obligation to implement the recommendations we provide. Sunstate' Chief Compliance Officer, Robert Layton, remains available to address any questions that a client or prospective client may have regarding the above-described conflicts of interest.

#### **D. REFERRAL AGREEMENTS**

Sunstate maintains certain referral agreements with vendors to help service its clients. This is mentioned in the preceding paragraph as other services. These services may include but are not limited to referrals to banking institutions as well as referrals to accounting firms.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **A. CODE OF ETHICS**

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demand the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts. In order to monitor compliance with our personal trading policy, our firm has a quarterly securities transaction reporting system for all of our representatives.



Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Likewise, related persons of our firm buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day unless included in a block trade.

## **ITEM 12: BROKERAGE PRACTICES**

Our firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm generally recommends that clients utilize Sunstate Bank, or Interactive Brokers LLC ("Interactive Brokers"), although clients can utilize other custodians where appropriate. One custodian is an independent and unaffiliated SEC-registered broker-dealer. The other is an affiliated bank regulated with the FDIC. Each of the custodians offers services to independent investment advisers which may include custody of securities, trade execution, clearance and settlement of transactions. The custodians do not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's custodial account. Transaction fees are negotiated with the custodians and are

generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

The firm will utilize Sunstate Bank and Interactive Brokers for custody of customer assets and execution of customer transactions. Sunstate Bank and Interactive Brokers also act as the clearing agent in the execution of securities transactions. The firm, subject to its best execution obligations, may trade outside of Sunstate Bank and Interactive Brokers. In the selection of broker-dealers, the firm may consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors. The firm has retained and will compensate the custodian to provide various administrative services which include determining the fair market value of assets held in the account at least quarterly and producing a brokerage statement and performance reporting for client detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

The custodians make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by each of the custodians may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the custodian(s) to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

The custodians do not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

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

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

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

- Soft Dollars

Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

- Client Brokerage Commissions

The custodians do not make client brokerage commissions generated by client transactions available for our firm's use. Our firm does not direct client transactions to a particular broker- dealer in return for soft dollar benefits. Our firm does not receive brokerage for client referrals.

- Directed Brokerage

In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Clients may seek to limit our authority in this area by directing that transactions (or some specified percentage of transactions) be executed through specified brokers in return for portfolio evaluation or other services deemed by the client to be of value. Any such client direction must be in writing (often through our advisory agreement) and may contain a representation from the client that the arrangement is permissible under its governing laws and documents, if this is relevant.

Our firm provides appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that our firm otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, our firm will inform clients in writing that the trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

- Client-Directed Brokerage

Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account,

clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

- **Aggregation of Purchase or Sale**

Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **ITEM 13: REVIEW OF ACCOUNTS**

Our management personnel or financial advisors review accounts on at least an annual basis for our Asset Management, Comprehensive Portfolio Management, and Third-Party Money Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm does not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when our Asset Management, Comprehensive Portfolio Management, and Third-Party Money Management clients are contacted. Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Sunstate Wealth Management, LLC may utilize solicitors who may be employees and/or contractors of Sunstate. These solicitors may be compensated through salaries, bonuses, commissions or a flat fee. Sunstate may pay cash referral fees to unaffiliated third parties. In such instances, the referral agreement and the related activities of Sunstate will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940. This Rule

specifies certain standards that must be met by an investment adviser and any person who solicits or refers any client to an investment adviser prior to the payment of a cash fee.

Our firm has custodial relationships with Sunstate Bank and Interactive Brokers and generally recommend that clients establish brokerage accounts with one of these firms.

Each of these custodians provides us with access to its institutional trading and operations services, which typically are not available to retail customers. These services are generally available, without cost, to financial advisory firms who maintain a minimum threshold of client assets with the custodian. Each of the custodians are full-service registered broker-dealers and registered investment advisers. While our firm has no formal relationship with any of these custodians for client referrals and receives no compensation therefrom (other than the services and arrangements described herein) for accounts opened by firm clients, on an informal basis, the custodians occasionally may make referrals to our firm as a courtesy or accommodation. Nothing of value, monetary or otherwise, is given, paid, or received in exchange for such referrals.

Services provided by XXXX and XXXX to financial advisory firms include research (including mutual fund research, third-party research, and the custodians' proprietary research), brokerage, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, each of the custodians makes available software and other technologies that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information, quotation services, and other market data, assist with contact management, facilitate payment of fees to our firm from client accounts, assist with performance reporting, facilitate trade allocation, and assist with back-office support, record-keeping, and client reporting. The custodians also provide access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, educational and industry conferences, marketing and educational materials, technological and information technology support, and corporate discounts. Many of these services may be used to service all or a substantial number of Sunstate's accounts, including accounts not maintained at the custodian.

The custodians may also provide us with other services intended to help us manage and further develop our business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, the custodians may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

## **ITEM 15: CUSTODY**

Sunstate does not have actual or constructive custody of its clients' funds and all clients' funds and securities are held at a qualified third-party custodian. To the extent it has custody of a client's assets, Sunstate will send such client a quarterly statement outlining its fee

calculation before the debit of its fee is made. These statements and the statements received from each client's custodian should be carefully reviewed by the client. Clients should contact Sunstate directly if they believe that there may be an error in their statement. Currently, Sunstate does not have custody over any of its clients' assets.

#### **ITEM 16: INVESTMENT DISCRETION**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Sunstate does not vote proxies for any of its clients. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. If proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about proxy votes or other solicitations.

#### **ITEM 18: FINANCIAL INFORMATION**

Sunstate does not solicit or accept prepayment of more than \$500 in fees per client, six months or more in advance. We have not been the subject of a bankruptcy proceeding and we reasonably believe that our firm is able to meet all of our contractual commitments. The Firm and its IARs intend to use the funds to pay qualifying expenses over an eight-week period including: payroll costs for its employees, rent, and utilities.