

Form ADV, Part 2A

Firm Brochure

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This brochure provides information about the qualifications and business practices of Capes Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at contactus@capescap.com. The information in this brochure has not been approved or verified by the the United States Security and Exchange Commission (SEC) or by any state securities authority.

Additional information about Capes Capital Management, Inc. also is available on the SEC website at www.adviserinfo.sec.gov.

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Advisory Business:

Capes Capital Management, Inc. (Capes) is a registered investment advisor in Norfolk, Virginia since 1991; however, this registration does not imply a certain level of skill or training.

It manages equity and fixed income portfolios for individuals, their retirement accounts, trusts and estates, as well as for corporations, foundations and endowment funds. Capes will manage these accounts as equity, bond, or balanced.

Investment Philosophy:

The investment objectives and risk tolerances of the client form the basis for selection of appropriate investments to meet client goals. Each client's portfolio is tailored to that client's needs, and therefore we have no "model" portfolio. No one portfolio fits all clients. Secondly, since security values change over time, portfolios created at different times may be similar but will have somewhat different securities. The client's risk tolerance will not only affect the asset allocation between stocks, bonds, and money market funds, but will also affect which securities – whether of greater or lesser risk – will be placed in the client's portfolio.

In general Capes is a value oriented investment firm. We see value in a 'relative' sense. Focusing, for the purchase and sale of equities on price relative not only to earnings, cash flow and book value, but also to private market value, market franchise, competitive advantages, technology, research and development capabilities. Near term earnings growth potential is important, but is only one of several criteria in the determination of value.

Value can also be found in bond markets where a comparison of yields relative to the risks implied by duration, credit factors, and relative liquidity suggest opportunities. As a rule, we will only invest in those credits rated BAA (investment grade) or better by Moody's Investor Services or by Standard and Poor's Corporation or the equivalent.

Management:

Education and experience are important to the success of our business. At least one college degree or certification in a finance related field, or other degree combined with finance/investment working experience is required of those assigned responsibility for investment supervisory functions.

Individuals of the firm bearing investment supervisory/advisory responsibilities include the following:

Tyler Sutton Anthony

Page Gravely Lea

Frederick Van Doren Martin

David Eugene Thiel

Note: If you have not received a brochure supplement regarding the investment advisor representative handling your account, please let us know so that we may provide you with one.

Ownership:

Messrs. Lea and Anthony share equal and full ownership in Capes Capital Management.

Administration:

When the firm, its stockholders and its portfolio managers, buys or sells securities also recommended to clients, orders are placed simultaneously, if not first, for the client, after taking into consideration the tax implications, available cash and particular goals of the client. Cash availability may cause timing variances in dates of executions as will price changes that might cause different tax results depending on the cost basis of a particular security for different accounts. The existence of this condition is disclosed to clients in writing even though such trades involve widely held and publicly traded securities where information is publicly known.

All investment supervisory accounts are reviewed quarterly by individuals of the firm bearing investment advisory responsibilities, and at such other times as the status of securities held may become "sell" candidates, or funds become available for new commitments. Periodic written reports to clients may include itemization of transactions during the period regarding realized and unrealized gains and losses, receipt of dividends and interest, commissions and management fees paid, and deposits to and withdrawals from the account.

The firm generally has authority from the client with respect to the selection and amount of securities to be bought or sold and the commission rates to be paid. The custodian for client securities is determined with specific client consent.

The investment policy established for each account may stipulate limitations with respect to asset allocation and/or commitments to one or more types of securities, credit quality and/or percentage or dollar maximums as might be applied to categories of securities as well as specific issues. It is the responsibility of our clients to provide any original cost information to us on transferred in securities for our management within a sixty day period commencing at the time of the transfer. Otherwise, cost information for our records will reflect the market value of the security at market close on the date of transfer to our management. In any event, information reported by our firm is based upon data obtained from sources believed to be reliable, however, such data is not guaranteed as to its accuracy or completeness and is for informational purposes only.

Administration, Continued:

Factors considered in selecting custodians include customer preference, if any, custody and execution services and costs, research and market making capabilities. The reasonableness of commissions must relate to the value of these factors plus the degree of trading volume given the custodian. At times, when consulted, our firm may recommend custody for clients' brokerage accounts be established with the Schwab Institutional division of Charles Schwab & Co., Inc., a registered broker-dealer, Member SIPC/NYSE. Schwab Institutional provides our firm with access to its institutional trading and operations services, which are not typically available to Schwab retail investors. These services are available to independent investment advisors, like our firm, at no charge as long as a total of at least \$10 million of our clients' account assets are maintained at Schwab Institutional. Schwab's services include research, brokerage, custody, access to equity and fixed income investments. Schwab Institutional also makes available to Capes other services that may not benefit client accounts directly, but aid our firm in administering these client accounts by providing research and pricing information, facilitating trade executions, giving access to client account data, providing payment of our management fees from client accounts, recordkeeping and overall back office support. The availability to our firm of the foregoing products and services is not contingent upon our firm committing to Schwab Institutional any specific amount of business (i.e. security transactions, etc.).

Client transactions generally are executed with the broker providing custody of client securities, which often is a custodian providing research services. The quality of securities research and market executions are values for which clients may pay higher brokerage commissions. Where there is more than one custodian for the client, the execution might turn on the advantage to the client that could arise from research, market making expertise, commission level, or other factors. Capes Capital Management does not have authority to vote corporate proxies. We will be glad to review your proxies with you whenever you would like us to.

With some accounts, delivery versus payment transactions (purchases and sales) are at times conducted. These outside transactions, while possibly more expensive to the account, are utilized to provide our clients access to limited markets and thinly traded securities, and the firm, at times, with additional research which benefits both the account of trade as well as the accounts of other clients who might not be incurring the same transaction costs. Also, due to these and all security transactions, our firm might receive an occasional client referral from a transacting brokerage firm.

Stocks:

Capes prefers to invest in leading medium to large capitalization companies which can easily be bought and sold for our clients without significantly affecting price. Our fundamental analysis of companies is based on research prepared by others and at times discussions with company representatives on critical points. In our review we may use annual reports, research reports, offering prospectuses, and financially oriented media of all types.

Most of the companies we own are amply followed by Wall Street analysts, and our focus tends to be a critical analysis of Wall Street opinion, and what if anything we believe is correct or mistaken in the perceptions of most analysts. We do this because it is important to understand what is already anticipated in the price of a stock, and that which is probably not. Also, when purchasing or selling securities we use various analyses to suggest when securities may be at extreme or opportunistic valuations.

Bonds:

Bonds in most client portfolios are held either to produce income or reduce the overall volatility of the portfolio or both. Nonetheless, we are active bond managers, managing our portfolios within client risk and tax constraints as well as our strategic view of interest rates. We prefer to invest in top quality bonds to minimize credit risks, but when clients permit we are prepared from time to time in small amounts, to invest in lower rated, higher risk bonds for greater total return.

Without trying to determine the precise level of future interest rates, we focus on the long term direction of rates, any expected significant shifts in the structure of the yield curve, and at appropriate times the question of whether an inflection point and change of direction has been reached.

We seek value among top quality bond sectors and types and will structure a portfolio based on client needs and opportunities in the market place. As values shift we are prepared to swap current holdings for better yield, safety, or potential gain. Our bond portfolios are invested in tax exempt Treasuries and government agencies, and top quality corporate issues. Sources of information are similar to those used for stocks.

Investment Strategies:

When developing long-term investment strategy for its portfolios Capes approaches the problem from both the “top” and the “bottom”. It considers major macro-economic and political trends or factors that may affect security valuations generally or particular industries. Such strategic decisions will impact asset allocation and sectors chosen for investment emphasis. Capes also identifies particular companies or industries that seem to represent excellent value because either they are temporarily out of favor or our assessment of earnings potential may be greater than that accorded by the market.

Our investment strategies tend to limit excessive turnover in client portfolios. However, where appropriate, we are prepared to trade more actively and aggressively, even utilizing margin, to achieve client goals.

Servicing Investment Accounts:

Proper service of the client is as important to us as the proper design of an investment portfolio to fit the client’s needs. Furthermore, just as we try to tailor individual portfolios to the client’s needs, so we also try to customize the ways in which we serve the client.

Most of our accounts are discretionary, allowing us to analyze, evaluate, select, and direct the purchase or sale of securities for accounts without consulting each client before doing so. For those clients who wish to be kept informed, we consult with them on an informal ongoing basis about activities in or the implications of events on their portfolios. We report investment results and the status of their accounts to all discretionary clients on a quarterly basis unless requested to do otherwise, and do so net of our investment management fees.

We advise a few clients on a non-discretionary basis, consulting with them before each transaction. To these clients we might report investment results and the status of their accounts on at least a semi-annual basis.

Finally, we have special consulting relationships with a few clients on an *ad hoc* basis with respect to investment strategy or particular securities. Contact is arranged according to the particular needs of the client.

Fees:

Investment Advisory Fees are a percentage, up to 1% annually, of the market value of assets under supervision. Fees are charged quarterly in advance and are based on the market value of the account on the last day of the preceding quarter. In the case of a new account starting mid quarter, the first bill will arrive at the beginning of the next quarter reflecting two amounts: first, a bill based on the initial value of the portfolio prorated for the amount of the quarter during which the portfolio was under supervision; and secondly, a bill for the first full quarter looking forward, based on the value of the portfolio at the end of the prior quarter. Calculation of the fee amount will begin no later than 30 days from signing of the client counsel agreement.

Currently fees are being charged as follows:

- Up to 1% on all new equity accounts and total return accounts (accounts that may be invested 100% in bonds or stocks or any combination thereof at the discretion of the manager).
- Up to 1% on stocks and 0.5% on bonds for new balanced accounts;
- Up to .5% for purely bond accounts.

While the minimum account size we seek is \$500,000 producing a \$5,000 minimum fee at 1%, the account size minimum might be waived and the fee on occasion may be negotiated. Fees for periodic consulting services are negotiated on an individual basis.

All engagements may be terminated by written notice from either party and any unearned portion of fees beyond the month of notice will be refunded.

In the tradition of our firm's founder and in conjunction with our motto, 'Experience, Integrity and Service', it is vitally important that the participants in the operation of our company make every effort to exemplify these principles. If you would like a summary copy of our 'Code of Ethics', we will be pleased to provide it for you.