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November 1, 2010

**FORM ADV PART 2  
BROCHURE**

This brochure provides information about the qualifications and business practices of **Flowers Capital Management, Inc.** If you have any questions about the contents of this brochure, please contact us at 718-575-3306 or [info@flowerscapital.com](mailto:info@flowerscapital.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.

Additional information about Flowers Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Flowers Capital Management, Inc. is 119103.

**Flowers Capital Management, Inc.** is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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### ***Advisory Business***

Flowers Capital Management, Inc.'s registration was granted by the U.S. Securities and Exchange Commission on April 4, 2005. Cynthia F. Flowers, is the President, Chairman and Chief Compliance Officer of the firm. Ms. Flowers owns one hundred (100%) percent of the equity of the firm. The firm is not publically owned or traded. There are no indirect owners of the firm or intermediaries which have any ownership interest in the firm. Applicant is primarily involved in the provision of investment supervisory services to its client base in that discretionary management services are made available to clients. Specifically, the client will execute a management agreement in favor of applicant wherein full discretionary authority will be granted to applicant. A custody account will be set up at an institution of the client's choosing and applicant will manage the investment portfolio on behalf of such client. Approximately eighty (80%) percent of applicant's effort and revenue will most likely be attributable to this activity. A fee of one (1%) percent of assets under management will be charged the client on a quarterly basis in arrears. The fee is payable at the end of every fiscal quarter. Clients pay the standard quarterly fee on the market value of total assets under applicant's management which includes the assets invested in money market funds. No fee shall be based on capital appreciation of assets. Applicant will also provide advice about securities (10% of time and effort) and will also provide advice about non-securities related matters (10% of time and effort). Either an hourly fee or a flat fee would be negotiated for these non-management related services. If the fee is hourly, the range will be between \$50-\$500. If the fee is flat, it will range from \$500 to \$5,000. It should be noted that: (a) all fees are negotiable (b) the relationship may be terminated at will by either the applicant or the client and (c) all unapplied/unearned fees would be refunded to client at once. There is no minimum fee imposed.

It is also disclosed that for accounts with a value of less than \$1,000,000, applicant has adopted a separate fee schedule. Such fee is as follows: 2% of the market value of assets on the first \$250,000, .75% of the market value of assets on the next \$500,000 and .50% of the market value of assets on the balance above \$750,000.

In addition to the foregoing, applicant has an investment planning fee schedule as follows:

	<u>First Year</u>	<u>Subsequent Year</u>
1 Portfolio	\$1,750	\$1,250
2 Portfolios		\$2,500 \$1,750
3 Portfolios		\$3,000 \$2,250
Each Additional Portfolio	\$350	\$250

The firm complies with Rule 3a-4 in that all clients' portfolios are managed on an individualized basis. All clients may place restrictions on their accounts and all clients enjoy frequent reviews.

The firm does not participate in any wrap fee programs.

As of December 31, 2009, the firm managed \$39,139,441 of assets on a discretionary basis (a representing 41 accounts) and no assets on a nondiscretionary basis.

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## ***Fees and Compensation***

Form ADV Part 2A, Item 5

The firm is compensated based upon a percentage of assets under management. A fee of one (1%) percent of assets under management will be charged the client on a quarterly basis in arrears. The fee is payable at the end of every fiscal quarter. Clients pay the standard quarterly fee on the market value of total assets under applicant's management which includes the assets invested in money market funds. No fee shall be based on capital appreciation of assets. Applicant will also provide advice about securities (10% of time and effort) and will also provide advice about non-securities related matters (10% of time and effort). Either an hourly fee or a flat fee would be negotiated for these non-management related services. If the fee is hourly, the range will be between \$50 - \$500. If the fee is flat, it will range from \$500 to \$5,000. It should be noted that: (a) all fees are negotiable (b) the relationship may be terminated at will by either the applicant or the client and (c) all unapplied/unearned fees would be refunded to client at once. There is no minimum fee imposed. It is also disclosed that for accounts with a value of less than \$1,000,000, applicant has adopted a separate fee schedule. Such fee is as follows: 2% of the market value of assets on the first \$250,000, .75% of the market value of assets on the next \$500,000 and .50% of the market value of assets on the balance above \$750,000. In addition to the foregoing, applicant has an investment planning fee schedule as follows:

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Advisory fees which are based upon a percentage of assets under management are generally debited directly from the advisory client's account.

Because mutual funds pay advisory fees to their investment advisers and such fees are therefore indirectly charged to all holders of mutual fund shares, clients with mutual funds in their portfolios are effectively paying both the firm and the mutual fund adviser for the management of their assets. Clients who place mutual fund shares under the management of Flowers Capital Management are therefore subject to both this firm's direct management fee and the indirect management fee of the mutual fund's adviser.

***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Flowers Capital Management does not charge performance based fees.



### ***Types of Clients***

Form ADV Part 2A, Item 7

Flowers Capital Management has the following types of clients: Individuals, banks, investment companies, pension and profit sharing plans, estates, trusts and corporations.

***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

The firm primarily employs the use of fundamental analysis.

The firm does not recommend any one particular type of security or mutual fund.

***Disciplinary Information***

Form ADV Part 2A, Item 9

**There are no legal or disciplinary events that are currently or ever were material to the firm's advisory business. There are no current criminal, civil or regulatory proceedings nor have there ever been.**

***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

NONE

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

Form ADV Part 2A, Item 11

It is disclosed that the firm has adopted a written Code of Ethics pursuant to SEC Rule 204A-

1. Such Code of Ethics sets forth how certain federal securities laws will be followed. The firm's Code of Ethics is available to clients and prospective clients upon request.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

Clients will designate to have their assets held at a custodian of their choice. Applicant shall have authority to determine, without obtaining specific client consent what securities of a client are to be bought or sold, the amount of the securities to be bought or sold, what broker or dealer is to be used or what commission rate is to be paid. However, the majority of Flowers' clients' assets are held in custody by Fidelity Investments Institutional Brokerage Group. For equity trades, there is a fee of \$7.95 per trade. There is also tradeaway capability with a \$20 fee for each tradeaway. The balance of clients' assets are held in custody at Charles Schwab & Co. For equity trades, there is a fee of \$8.95 per trade. There is also a tradeaway capability with a \$25 fee for each tradeaway. Clients who choose a custodian other than Fidelity and Schwab may pay higher commission rates than clients who are custodied at Fidelity / Schwab and use their brokerage services.

It is possible that applicant will direct equity or bond transactions through a broker/dealer other than through Fidelity and Schwab. Brokers are selected on the basis of a judgment by applicant's president on their ability to supply investment research for individual securities and other services, such as economic analysis, which are expected to enhance the general portfolio management capabilities of applicant in servicing individual client's accounts without having to demonstrate that such factors are of a direct benefit to a specific account.

The overall reasonableness of commissions in these situations is evaluated on the basis of the ability of the broker to execute transactions satisfactorily, the basis of rate of commissions prevailing generally and the size of the transaction involved. In some cases, clients may pay

higher commissions than those obtainable from other brokers in return for these services but such commission rates are in the good faith judgment of applicant to be in the best interest of the client after taking into consideration the services provided in return.

Applicant has the ability to establish "omnibus" brokerage accounts for effecting bunched securities transactions for its clients and obtaining client consent to these arrangements.

Applicant is protected by the seven prong safe harbor as set forth by *Owen T. Wilkinson & Associates, Inc.*

With respect to soft dollars, there is no formalized soft dollar arrangement which the firm has entered into per se. However, there are certain economic benefits which the firm enjoys as a result of the professional relationship which the firm has established with the outside custodial firm.

The firm may recommend that clients establish brokerage accounts with the an outside qualified custodial firm, a registered broker-dealer, Member **SIPC**/FINRA, to maintain custody of clients' assets and to effect trades for their accounts. The firm is independently owned and operated and not affiliated with the custodian. The custodian provides the firm with access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least a minimum of the adviser's clients' account assets are maintained at the custodian, and are not otherwise contingent upon the firm committing to the custodian any specific amount of business (assets in custody or trading). The custodian's services include research, brokerage, custody,

access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, the custodial firm generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the custodian or that settle into those accounts.

The firm's custodian also makes available to the firm other products and services that benefit the firm but may not benefit its clients' accounts. Some of these other products and services assist The firm in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations, account statements and the daily download of prices and transactions); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of The firm' fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of The firm' accounts, including accounts not maintained at Custodian Institutional. Custodian Institutional also makes available to The firm other services intended to help The firm manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Custodian may make available, arrange and/or pay for these types of services rendered to The firm by independent third parties. Custodian Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-



party providing these services to The firm. While as a fiduciary, the firm endeavors to act in its clients' best interests, and The firm' recommendation that clients maintain their assets in accounts at Custodian may be based in part on the benefit to The firm of the availability of some of the forgoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Custodian, which may create a potential conflict of interest.

With respect to best execution, the firm's chief compliance officer tests for this and has concluded that the firm is successfully receiving best execution on behalf of its clients.

### ***Review of Accounts***

Form ADV Part 2A, Item 13

**The firm and/or the custodian will prepare a comprehensive report for all advisory clients on a monthly or quarterly basis. The custodian sends monthly statements directly to the advisory client and the firm may send quarterly or monthly reports as well.**

***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

NONE

### ***Custody***

Form ADV Part 2A, Item 15

**The firm and/or the custodian will prepare a comprehensive report for all advisory clients on a monthly or quarterly basis. The custodian sends monthly statements directly to the advisory client and the firm may send quarterly reports as well. Clients should carefully review all statements received. Clients are urged to compare the account statements which they receive from the qualified custodian with any statement which they may receive from the firm.**

### ***Investment Discretion***

Form ADV Part 2A, Item 16

The firm has discretionary authority over client accounts which is granted by the advisory client to the firm through the execution of a Limited Power of Attorney.

***Voting Client Securities***

Form ADV Part 2A, Item 17

The firm does not vote proxy statements on behalf of advisory clients.

### ***Financial Information***

Form ADV Part 2A, Item 18

- **The firm does not charge advisory fees six months or more in advance.**
- **The firm is not in a precarious financial position.**
- **Neither the firm nor Ms. Flowers has ever declared bankruptcy.**

***Requirements for State-Registered Advisers***

Form ADV Part 2A, Item 19

**Not Applicable**



***Additional Information***

none

**Cynthia F. Flowers**

**Flowers Capital Management, Inc.**

97 Groton Street  
Forest Hills, New York 11375  
718-575-3306

November 1, 2010

**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Cynthia F. Flowers that supplements the Flowers Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Cynthia F. Flowers if you did not receive Flowers Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Cynthia F. Flowers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ***Educational Background and Business Experience***

Form ADV Part 2B, Item 2

***THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.***

Disclose the supervised person's name, age (or year of birth), formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years. If the supervised person has no high school education, no formal education after high school, or no business background, disclose this fact. You may list any professional designations held by the supervised person, but if you do so, you must provide a sufficient explanation of the minimum qualifications required for each designation to allow clients to understand the value of the designation.

**Name**

*Year of Birth:* 1951

*Formal Education after High School:*

- Boston University, Boston, MA, MS, 1973
- New York University, New York, NY , MBA, 1976

*Business Background for the Previous Five Years:*

- Flowers Capital Management, President, Chairman and Chief Compliance Officer

***Disciplinary Information***

Form ADV Part 2B, Item 3

NONE

***Other Business Activities***

Form ADV Part 2B, Item 4

NONE

***Additional Compensation***

Form ADV Part 2B, Item 5

NONE

***Supervision***

Form ADV Part 2B, Item 6

SELF



***Requirements for State-Registered Advisers***

Form ADV Part 2B, Item 7

NOT APPLICABLE