

Southern Capital Services, Inc.
The Summit, Ste 203B
29000 US Highway 98
Daphne, AL 36526

Client Brochure

SEC File Number 801-18286

Date: February 10, 2011

Statement of Purpose and Services

Southern Capital Services, Inc. is a registered investment advisory firm whose goal is to provide portfolio investment management services to its clients. Our clients include individuals, businesses, trusts, charitable organizations and pension/profit sharing 401k plans. It is our belief that our clients deserve careful investment advice to grow and preserve their hard earned assets. We do **not** provide financial planning services nor do we take custody of client assets. The only income SCS receives is from fees paid by our clients.

Investment Vehicles and Fees

The investment products we use consist primarily of no-load open end mutual funds or load open end mutual funds that can be secured on a no-load basis as well as a limited number of Exchange Traded Funds (ETFs) and occasionally closed end funds. Some mutual funds may have short term surrender fees that will be charged by the fund if liquidated prematurely.

The ETFs carry a commission that is charged by the custodian – none of which is received by SCS. Occasionally at the request of a client we may purchase or sell for them through our Custodian a stock, bond (corporate or government) or CD. From time to time a client may have a variable annuity they wish SCS to manage through the Custodian or the Annuity Company.

On rare occasions and under unusual market conditions we may employ a conservative option strategy with ETFs known as covered calls or cash secured puts. This strategy carries less risk than outright ownership of the ETF itself.

We provide 100 percent of our services on a fee basis that begins at 1% and scales down depending on the amount under management. Fees are billed quarterly, one quarter in advance and are based on the ending value of the preceding quarter. Upon a 90 day notice, these fees may be changed by SCS.

The fee schedule charged by SCS is:

Up to \$1,000,000	1.00%
\$ 1,000,000 up to \$ 3,000,000	.80%
\$ 3,000,000 up to \$ 5,000,000	.70%
\$ 5,000,000 up to \$10,000,000	.60%
\$10,000,000 and up	.50%

Fees are billed directly from the client accounts. Other than for the fee, SCS has no access to the funds in the client accounts and our custodian carefully watches the fee billing we do.

Should a client leave the service of SCS, the unearned portion of the fee is refunded based on the number of days remaining in the quarter when the account is closed.

Investment Vehicles

SCS uses “no-load, open end” mutual funds as well as several Exchange Traded Funds (ETF) as the main source of investment vehicles. Load mutual funds can charge a front load or a back load that usually disappears over the years the fund is held, and perhaps a high internal fee over and above the usual internal management fees of the fund. With no-load funds you get the full investment working for you immediately.

Mutual funds have a number of advantages over choosing individual securities for investments. Perhaps the two biggest advantages are wide diversification and professional management. In essence, our role is to select a diverse group of high quality investment managers that manage the mutual funds in our client portfolios.

Funds come in a variety of objectives. The list is too long to mention all but they can run the gamut from specific industries, to world regions, to large companies, to small companies, to mid-size companies, to specific investment vehicles, etc. Fund results are published daily so they are transparent.

ETFs may invest in specific industries, commodities or combinations. They resemble mutual funds except they can be traded throughout the day rather than only at the close of the day. These funds frequently buy specific assets that blend well with our investment philosophy – such as gold, silver or agricultural commodities.

It is our belief that to be properly diversified using individual securities a client would need to have a portfolio large enough to have sizable positions in about 25 to 40 different companies in many different regions of the world. Many mutual funds will have positions in 200 or more companies. We are also able to diversify, even small portfolios, across many objectives as well as regions in order to meet the stability and investment needs of our clients.

Mutual Fund Fees

Mutual funds and variable annuities as well as ETFs have internal fees. These fees are to pay for the operating expenses of the fund as well as to pay the fund managers. While we try to invest in mutual funds with lower fees, we believe it is more important to choose funds that have high quality, experienced management with a proven track record.

Custodian

TD Ameritrade serves as the custodian for the assets of clients who are with SCS. Prudential serves as the insurance company/custodian of the few variable annuities that clients have asked us to manage. TD Ameritrade maintains SIPC insurance and is bonded. Again, SCS does NOT take custody of client funds.

TD Ameritrade charges a quarterly fee for serving as custodian and also charges a transaction fee for each buy/sell of a mutual fund. Currently the custodian fee is \$18.75 per quarter and is billed by TDA directly to the client's account. The transaction fee varies with the amount of trading activity we do. Generally these fees run between \$10 and \$15 per quarter and is billed to the account by SCS and paid to TD Ameritrade. SCS does not receive any portion of the custodian or transaction fee. TD Ameritrade also charges a commission for each ETF or stock that is traded. SCS does NOT receive any of these commissions.

The Get to Know Each Other Process

One of the advisory representatives of SCS meets with the prospective client to get to know them. We will need to find out how much investment experience the prospective client has as well as how much risk (the volatility involved in any investment) he/she may be comfortable taking. SCS will also need to know the purpose of the investment to assure our management and investment choices are suitable for the client's needs. We discuss our philosophy of investing that has been described above. It is not unusual for a prospective client to have several meetings with us before choosing what to do. We invite as many meetings or calls and questions as necessary so that both we and the prospective client can get to know each other.

Once the prospective client chooses to employ SCS, we fill out the various forms for our internal use and the forms for the custodian.

Our forms include the Management Agreement, the Investment Policy Statement as well as a Client Information Form. The Custodian forms include the New Account Form as well as any transfer forms that might be needed. The Custodian has a form for a Non-Qualified Account (a non-IRA account) and a separate form for an IRA. SCS will assist in the filling out of these forms and will explain them as well.

Investment Decisions

SCS uses many tools to make investment decisions. Beside following the general news of the day as well as the financial news of the day from various news channels (CNBC, Fox Business News, Bloomberg, CNN and Fox News) we subscribe to a number of publications including Wall Street Journal, various magazines, trade journals and Dow Theory Letters. Frequently there will be various discussions of world and investment issues that can help shape our choices of appropriate funds.

We try to build a portfolio of funds that tend to complement each other by making the whole portfolio less volatile than the individual components. Certain funds have a tendency to move “out of sync” with others and yet over time have a proven track record of good results. By blending several of these together we believe a portfolio can be built that will generate reasonable returns and yet prove to be less volatile than any one by itself. Each fund is internally diversified and we also diversify the funds by investment objectives and management style. Generally the ETFs will be much more specific (such as gold, silver or agricultural commodities) but help further diversify the portfolio during challenging times.

We also subscribe to 2 important on-line services: Morningstar Office and Advisory World. Morningstar is a well known mutual fund and stock analyzer organization. They follow several thousand mutual funds as well as stocks. Advisory World provides very useful historical information on both funds, stocks and indices.

We may watch momentum moves, put-call ratios, charting, moving averages as well as other tools to give us some indication of the market internals but these are not deciding factors on the investment choices.

Access to client accounts

Southern Capital Services does NOT take possession of client assets. That is the job of the custodian. We are permitted to trade accounts and to bill for our fees. The custodian monitors the billing of these fees to prevent excessive billing.

Brief Biography

Terry Edward Nager, President, Chairman of the Board
His CRD Number is 344567.

His residence address: 118 DeWitt Circle, Daphne, Alabama 36526 for over 20 years.

Terry is a control person who owns over 10% of Southern Capital Services. He is the individual who determines the general client advice. He has been in the investment business since 1982 when Southern Capital Services, Inc. was organized.

Terry was born in Cleveland, Ohio on December 12, 1949, graduated from Orange High School in Moreland Hills, OH in 1968. He graduated from Principia College in 1972 with a BA degree in Business Administration.

Examinations/Professional Designations:

Registered Principal NASD	1983
The Registry of Financial Planning Practitioners	01/07/1987
Chartered Financial Consultant (ChFC) from The American College	10/23/1984
Chartered Life Underwriter (CLU) from The American College	10/11/1983
Certified Financial Planner (CFP) College for Financial Planning	December 1980

As a CFP Terry has the training to make investment decisions and to give investment advice.

Brief Biography

David Erle Lindsey

His CRD Number is 1269329.

His residence address: 29473 Oakstone Drive, Daphne, AL 36526 for over 12 years.

David has been employed by Southern Capital Services, Inc. since January 1991, owns over 10% of Southern Capital Services, Inc. and is Vice President.

David was born in Birmingham, AL on May 8, 1940, graduated from Baldwin County High School at Bay Minette, AL in 1958. He graduated from Rhodes College in 1963 with a BA degree in Business Administration. He received an MBA from the University of Memphis in 1967. David also has a MS Degree from the University of Alabama in Birmingham.

Examinations/Professional Designations

Series 7 NASD June 1986

Series 63 NASD 1986

Certified Financial Planner (CFP) College for Financial Planning May 1988

As a CFP David has the training to make investment decisions and to give investment advice.

Brief Biography

Eric McCreary Nager

His CRD Number is 4780140

His residence address: 175 Rolling Hill Drive, Daphne, AL 36526 for 6 years.

Eric has been employed by Southern Capital Services, Inc. since August 2000.

Eric was born in Cleveland, OH on September 14, 1966, graduated from Fairhope High School at Fairhope, AL in 1985. He graduated from Principia College with a BA in Business & History. He received an MBA from University of South Alabama in 1991. Eric also has a MA Degree in History from Harvard University.

Examinations/Professional Designations

Series 65 - Investment Advisor Competency Exam - October 2000.

Brief Biography

Wendy Louise Nelson Bailey

Her CRD Number is 1985291

Her residence address: 15863 Keeney Drive, Fairhope, AL 36532 for 7 years.

Wendy has been employed by Southern Capital Services, Inc since November 2011.

Wendy was born in Nashville, TN on September 21, 1967, graduated from Fairhope High School at Fairhope, AL in 1985. She graduated from Villanova University with a BS in Business Administration. She received an MBA from Arizona State University in 2000.

Examinations/Professional Designations

Futures Managed Funds Exam Series 31	04/14/2005
Uniform Investment Advisor Law Exam Series 65	04/07/2005
General Securities Principal Exam Series 24	02/22/1995
General Securities Representative Exam Series 7	02/27/1992
Uniform Securities Agent State Law Exam Series 63	03/09/1992
Certified Financial Planner (CFP) College for Financial Planning	September 1995

As a CFP Wendy has the training to make investment decisions and to give investment advice.