

# Capital Analysts

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Capital Analysts, Inc.  
*Registered Investment Advisor*

218 Glenside Avenue  
Wyncote, PA 19095  
215-887-8111 • 800-242-1421  
[www.capitalanalysts.com](http://www.capitalanalysts.com)  
03/13



**Item 1 – Cover Page**



**Capital Analysts, Inc.**

**218 Glenside Avenue  
Wyncote, PA 19095  
800-242-1421**

This Brochure provides information about the qualifications and business practices of Capital Analysts, Inc. (Capital Analysts). If you have any questions about the contents of this Brochure, please contact us at 800-242-1421. 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.

Capital Analysts is registered with the United States Securities and Exchange Commission as a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information from which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

This section provides us the opportunity to highlight for you the material changes in our investment advisory services and operations since our last Form ADV 2A notice to you in June 2012. There are no material changes to report.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	ii
Item 2 – Material Changes.....	iii
Item 3 –Table of Contents.....	iiv
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation, Conflicts of Interest .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management .....	12
Item 7 – Types of Clients.....	12
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9 – Disciplinary Information .....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	16
Item 11 – Code of Ethics.....	17
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts .....	19
Item 14 – Client Referrals and Other Compensation.....	20
Item 15 – Custody.....	20
Item 16 – Investment Discretion.....	21
Item 17 – Voting Client Securities.....	21

Brochure Supplement(s) Available Upon Request:

Capital Analysts Wrap Fee Program Brochure and Investment Management & Research Team  
Supplement

## **Item 4 – Advisory Business**

### **Our Firm**

On June 1, 2012, Capital Analysts, Inc., (Capital Analysts), formerly named CAI Acquisition Inc., acquired the assets, including the name, of Capital Analysts Incorporated. Capital Analysts is a registered investment adviser with the U.S. Securities and Exchange Commission. Capital Analysts has assumed the services and fees of the existing investment advisory and financial planning agreements that existed between Capital Analysts Incorporated and its advisory clients.

The “new” Capital Analysts has a national reach of over 200 independent financial advisors, managing or advising over \$2.8 billion in assets. This brochure describes the services and fees offered by Capital Analysts. Capital Analysts is not affiliated with any company that issues or sponsors securities or insurance products, and, therefore, provides truly independent and objective investment advice when making recommendations to you. There is, of course, always the potential for financial conflicts of interest, which are described in this brochure.

Capital Analysts, Inc. is a wholly owned subsidiary of Lincoln Investment Group Holdings, Inc., a privately held company owned by the Forst family. Capital Analysts’ sister company, Lincoln Investment Planning, Inc., has been a registered investment adviser since 1979 and manages or advises over \$3 billion in assets.

### **Our Advisory Services**

Capital Analysts offers the following investment advisory services for a fee. A description of each service is provided below:

Financial Planning Services

Non-Discretionary Investment Advice or Discretionary Asset Management - provided by your financial advisor

Third Party Portfolio Management Services

Wrap Fee Asset Management Programs- See Capital Analysts’ Wrap Fee Disclosure Brochure for further information

In choosing one or more of these services, your financial advisor will work with you to assess your needs and investment objectives. You may be asked to complete a confidential investor profile, or other similar questionnaire and account application, containing a variety of financial and personal information such as investment goals, income requirements, investment time horizon and risk tolerance. Our goal is to provide you the appropriate professional investment advice in an effort to help you reach your financial goals.

You are responsible to notify your financial advisor of any changes in your financial situation or investment objectives or to give any investment restrictions that you wish to impose so that your financial

advisor can recommend or ensure you are engaged in the appropriate advisory service for you. If you wish to impose investment restrictions, Capital Analysts' programs may not be the appropriate advisory service for you as they may not be able to accommodate your investment restrictions. Please discuss any investment restrictions with your financial advisor and identify them on your investment advisory application so that a determination may be made.

Capital Analysts offers the Capital Analysts' Asset Management Services (CAAMS) suite of programs. The program selected by you will depend on several factors, such as, account tax type, the underlying investment vehicles you wish to be invested in, the level of active management you wish, any restrictions you may wish to place on the managed account, and how you prefer to compensate Capital Analysts and your financial advisor for these services.

When you engage Capital Analysts or one of our financial advisors for investment advisory services, we agree to act in a fiduciary capacity on your behalf and over the assets that we advise. This means that at all times while you are paying us the advisory fee, we will honor our commitment to place your interests above our own and ensure that we avoid, or, at minimum disclose, any conflicts of interest that may arise in the giving of investment advisory services to you.

## **1. Financial Planning Services**

Capital Analysts' financial advisors shall offer financial planning services for a fee. These financial planning services will vary depending on the financial adviser providing the service and may involve, but are not limited to, life planning, estate planning, retirement planning and/or investment planning. These services will generally result in the completion of a written plan and are generally referred to as "Wealth Management Services" and may or may not include specific investment advice.

When financial planning and/or investment management services for a fee are provided, you will sign an agreement with Capital Analysts. General investment asset classes may be recommended in the written financial plans. If you prefer specific investment product recommendations, they may be recommended during the implementation phase of the financial plan. Most clients engage their financial advisor to assist them with the implementation phase and providing ongoing and/or periodic investment advice.

Financial advisors may also, for a fee, provide investment analysis or advice on assets held elsewhere, such as, within your employer's 401k plan. Financial advisors may assist you in diversifying and making risk adjustments to your overall household of investments. Financial advisors may charge you for their analysis through a variety of methods, such as, a flat fee, an hourly fee, or a fee based on the value of the assets. The fee charged for services may vary depending on the office and/or financial advisor providing the services.

Many of Capital Analysts' financial advisors have earned professional designations, but Capital Analysts does not require the financial advisor to obtain a professional designation prior to offering Wealth Management Services. You should ask your financial advisor about his or her

professional designations. Capital Analysts financial advisors are not permitted to give tax or legal advice on behalf of the firm. Please consult your personal attorney and tax accountant.

## **2. Non-Discretionary Investment Advice or Discretionary Asset Management**

Your financial advisor may personally assist you by providing investment advice on an ongoing or periodic basis. The financial advisor's recommendations and advice are typically customized to assist you in achieving your stated goals and investment objectives.

In your Investment Management Agreement, you will be granting your financial advisor either Limited or Full Discretionary authority in the management of your assets.

"Limited-discretion" means that your financial advisor has limited authority to select the time and/or price of the security to be purchased or sold, and/or if applicable to rebalance your account back to a pre-stated asset allocation of pre-selected securities. With "Limited-discretion", your financial advisor does not have the authority to select new securities to be purchased in your account. The final decision as to any new securities to be bought or sold remains with you.

A small subset of Capital Analysts financial advisors you are able to offer you Full-discretionary trading authority in the management of your assets. "Full-discretion" means your financial advisor may place any security transactions in your account without specific consultation with or authorization by you prior to the transactions being entered.

Capital Analysts offers two advisory programs where the advisory services are provided directly by your financial advisor: CAAMS and CAAMS *Plus*. The Capital Analysts Investment Management Agreement will indicate the types of securities for which the advice will be provided and whether you are granting your financial advisor Limited or Full discretion with respect to the trading decisions in your advised account.

### **CAAMS**

In the CAAMS Program the financial advisor will assist you in the management of a portfolio limited to no-load and load-waived mutual funds available on the Pershing LLC platform. Your financial advisor will determine with you your risk profile and objectives, create an asset allocation policy, recommend a risk appropriate well diversified portfolio of mutual funds; and periodically re-balance the account if applicable, back to any stated asset allocation, if any. Your financial advisor will also periodically review your account to determine if any additional changes should be recommended or made to your account. All clients will receive at minimum a quarterly statement from Pershing LLC, the custodian of your assets. Supplemental reports may or may not be delivered by your financial advisor. Check with your financial advisor to determine his or her practice with respect to supplemental reports. Pershing LLC offers thousands of no-load and load-waived mutual funds that can be purchased and sold without any transaction charge (no ticket charges or other transaction fees); however, there are other mutual funds that are available through Pershing LLC that can be purchased or sold for which you could incur a transaction charge. You should discuss with your financial advisor whether you wish to have his or her recommendations limited to the mutual funds offered by Pershing LLC with no transaction

costs to acquire; otherwise you may incur transaction costs in addition to the advisory fee paid for this service.

### CAAMS *Plus*

In the CAAMS *Plus* Program, the financial advisor will assist you in the management of a portfolio that may be comprised of no-load and load-waived mutual funds, exchange traded funds (ETFs), fixed income securities, and/or exchange traded securities available on the Pershing LLC platform. Your financial advisor will determine with you your risk profile and objectives, create an asset allocation policy, recommend a risk appropriate well diversified portfolio limited to these securities; and periodically re-balance the account (as directed) back to any stated asset allocation, if any. Your financial advisor will also periodically review your account with you if any additional changes should be recommended or made to your account. All clients will receive at minimum a quarterly statement from Pershing LLC, the custodian of your assets. Supplemental statements may or may not be delivered by your financial advisor. Check with your financial advisor to determine his or her practice with respect to supplemental statements. Pershing LLC offers thousands of no-load and load-waived mutual funds that can be purchased and sold without any transaction charge (ticket charge or other transaction fees); however, there are other mutual funds that are available through Pershing LLC that can be purchased or sold for which you could incur a transaction charge. You should discuss with your financial advisor whether you wish to have his or her recommendations limited to the mutual funds offered by Pershing LLC with no transaction costs to acquire; otherwise you may incur transaction costs in addition to the advisory fee paid for the mutual funds selected. All other types of securities purchased or sold have a ticket charge associated with them that you will incur in addition to the advisory fee for this service.

### **3. Third Party Portfolio Management Services**

Your financial advisor may recommend to you one or more third party portfolio managers in order to provide you access to the expertise offered by these portfolio managers. Neither Capital Analysts nor your financial advisor will perform the asset management services in these arrangements. The management services are provided by the portfolio manager you select. The role of Capital Analysts and your financial advisor is to assist you in the selection of a portfolio manager and work with both you and the portfolio manager. The selection of portfolio manager will take into consideration your objectives, assets, risk tolerance, investment experience and your asset class(es) preference. The agreement you sign will describe the role that each party plays in the relationship. Depending on the agreement, Capital Analysts and your financial advisor may act as an Adviser, a Co-Adviser, a Sub-Adviser or a Solicitor. Should you choose to do business with the third party portfolio manager, for our role, Capital Analysts and the financial advisor will be compensated.



### CAAMS Select

In the CAAMS Select Program, our Investment Management and Research Team will work with you and your financial advisor to assist in the selection of one or more third party portfolio managers on your behalf.

The Capital Analysts Investment Management and Research Team have active sub-advisory relationships with the following third party portfolio managers which may be amended from time to time: Fort Washington Investment Advisors, Haverford Trust, Navellier, Thornburg, Spartan Capital, RNC Genter Capital Management, SeaCap, Uniplan Real Estate Advisors, Congress Asset Management, Todd Investment Advisors, . In the CAAMS Select Program, the Capital Analysts Investment Management and Research Team will monitor the performance of these third party managers. The client must meet the account minimums as established by the third party money manager in order to invest. This list of third party portfolio managers may change periodically.

Your financial advisor may also recommend other third party portfolio managers, , such as, Envestnet, Loring Ward and Matson Money. They also may recommend third party portfolio managers offered on such platforms as Genworth and SEI. In addition, the Capital Analysts Investment Management and Research Team may develop and maintain certain model portfolios (“Model Portfolios”) and offer these model portfolios to other third party money managers for investing by their clients. In these situations, Capital Analysts is making its model available for use by the third party money manager but Capital Analysts will not be responsible for the suitability of the program for the third party money manager’s clients.

#### **4. Wrap Fee Asset Management Programs**

A Wrap Fee Program is an investment advisory program in which you pay one fee for both the investment advisory services and the transaction costs in your account. Capital Analysts’ Wrap Fee Programs are offered on Pershing LLC’s brokerage platform, and depending on the Wrap Fee Program you select, your managed account may include transactions in such securities as stocks, bonds, mutual funds and exchange traded funds (ETFs), some of which have trading costs associated with them. The Wrap Fee is not based directly upon the actual transaction or execution costs for your account. Depending on the underlying investments in your Wrap Fee Program and how much trading activity occurs, you may pay more or less than if you chose another Capital Analysts advisory program that does not have a Wrap Fee offering or if you chose to pay separately for all of your transaction costs (e.g., pay the advisory fee plus all transaction charges). Your financial advisor will review your investment options with you to determine the best offering for you.

For further information regarding Capital Analysts’ Wrap Fee Programs (CAAMS AssetBuilder; CAAMS Complete; CAAMS ETF; CAAMS Focus; CAAMS Stock; CAAMS UMA), or if you are interested in investing in a Wrap Fee Program, please obtain a copy of Capital Analysts’ Wrap Fee Program Brochure from your financial advisor.

## **Assets Under Management**

As of December 31, 2012, Capital Analysts and its Advisory Representatives:

- Managed \$1 billion in advisory assets on a discretionary basis; and,
- Advised \$1.7 billion in advisory assets on a non-discretionary basis

## **Item 5 – Fees and Compensation**

The fees and costs associated with Capital Analysts' investment advisory services, identified above in Item 4, are described below and vary based on the service or services that you choose, your total assets invested, the types of securities being advised or managed, and the number of transactions that occur in your account. This section is intended to assist you in understanding the costs associated with our investment advisory offerings. You should read this section carefully and also read the Investment Management or Advisory Agreement for a full description of the amount, terms, and calculation of the advisory fee applicable to your selected advisory service as well as for information concerning ticket charges, refunds and contract termination. The fees and costs may be more or less than if you purchased a portfolio of similar investments through a brokerage arrangement. It is important that you evaluate the services received in light of the fees and costs. Fees may be negotiable, depending on the advisory service selected. Be sure to ask your financial advisor about the advisory program(s) considered by you and what other costs you may incur.

### **1. Financial Planning**

Financial Planning Services (described in Item 4) are generally provided to you by your financial advisor. The fees for such services may be assessed on an hourly basis, as a fixed fee, a percentage of assets under management or other methods, including a combination of the above, and may vary by office and financial advisor. You will receive a written agreement before any financial services begin. This agreement will describe the services and fees you and your financial advisor have agreed upon.

### **2. Non-Discretionary Investment Advice or Discretionary Asset Management**

In the CAAMS Program the financial advisor will assist you in the management of a portfolio limited to no-load and load-waived mutual funds available on the Pershing LLC platform. Pershing LLC offers thousands of no-load and load-waived mutual funds that can be purchased and sold without any transaction charge (no ticket charges or other transaction fees); however, there are other mutual funds that are available through Pershing LLC that can be purchased or sold for which you will incur a \$15.00 transaction charge. You should discuss with your financial

advisor whether you wish to have his or her recommendations limited to the mutual funds offered by Pershing LLC with no transaction charge to acquire; otherwise you may incur this transaction charge in addition to the advisory fee paid for this service.

The maximum annual Investment Advisory Fee that may be charged by your financial advisor is 1.50% of the assets being advised or managed. There is also a 0.05% annual Administration Fee that is added to the financial advisors' fee for a total maximum fee of 1.55% of assets. The minimum annual Administration Fee is \$25 per quarter.

### CAAMS Plus

In the CAAMS *Plus* Program, the financial advisor will assist you in the management of a portfolio that may be comprised of no-load and load-waived mutual funds, exchange traded funds (ETFs), fixed income securities, and/or exchange traded securities available on the Pershing LLC platform. Pershing LLC offers thousands of no-load and load-waived mutual funds that can be purchased and sold without any transaction charge (ticket charge or other transaction fees); however, there are other mutual funds that are available through Pershing LLC that can be purchased or sold for which you could incur a \$15.00 transaction charge. You should discuss with your financial advisor whether you wish to have his or her recommendations limited to the mutual funds offered by Pershing LLC with no transaction costs to acquire; otherwise you may incur transaction costs in addition to the advisory fee paid for the mutual funds selected. All other types of securities purchased or sold have a ticket charge associated with them that you will incur in addition to the advisory fee for this service, as described below:

Equity Trades: \$19.95 for up to 1,000 shares; \$0.02 per share for transactions over 1,000 shares\*

Fixed Income: \$29.95 Flat Rate

Options: \$29.95 plus \$1.25 per contract

\*Additionally, a \$3.50 handling fee is applied to equity purchases and sales.

The maximum annual Investment Advisory Fee that may be charged by Capital Analysts is 1.50% of the assets being advised or managed. There is also a 0.05% annual Administration Fee that is added to the financial advisors' fee for a total maximum fee of 1.55% of assets. The minimum annual Administration Fee is \$25 per quarter.

Fees for both CAAMs and CAAMs *Plus* are negotiable and are billed on a quarterly basis, in the beginning of the quarter in which they will be earned. Fees are based on the market value of all assets held within the account (including cash and cash equivalents), on the last business day of the previous calendar quarter. Accounts opened during a calendar quarter will be charged a prorated fee based on the number of calendar days left in the quarter. For advisory services terminated during the calendar quarter, any prepaid, unearned fees will be refunded on a prorata basis, and any earned, unpaid fees will be due and payable on a prorata basis. Advisory fees may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimus contributions and withdrawals). Some existing clients

are assessed fees quarterly in arrears of services rendered. Fees assessed in arrears are no longer offered to new clients.

### **3. Third Party Portfolio Management Services**

#### CAAMS Select

The maximum annual Investment Advisory Fee that may be charged by Capital Analysts for its assistance in the selection and monitoring of a Third Party Portfolio Manager will depend on the role we play as co-advisor, or sub-advisor and will not exceed 1.50% of the managed assets. This fee is negotiable. There is also an annual Capital Analysts Administrative Fee of 0.05%. In addition, you will be assessed the Designated Third Party Portfolio Manager's management fee that will generally range between 0.50% – 1.00% for equity accounts and 0.35% - 0.50% for fixed income accounts. The Portfolio Manager's fee will be identified in the Investment Management Agreement that you should carefully review prior to signing. The Portfolio Manager fee may or may not include Pershing LLC transaction charges such as ticket charges and other transaction fees (a Wrap Fee). If ticket charges are your responsibility, they will typically be as follows:

Stocks: \$19.95,

Mutual Funds: \$15.00 per mutual fund transaction,

Fixed Income: \$29.95,

Options: \$29.95.

The fee associated with any third party or other advisory services offered, will be identified in their disclosure documents and agreements, such as, their ADV Part 2A, Wrap Fee Program Brochure and/or advisory service agreement. You should carefully review these documents prior to signing.

### **4. Wrap Fee Ongoing Asset Management Programs**

For fee information relating to Capital Analysts' Wrap Fee programs, (CAAMS AssetBuilder; CAAMS Complete; CAAMS ETF; CAAMS Focus; CAAMS Stock; CAAMS UMA), please refer to Capital Analysts' Wrap Fee Program Brochure.

Note: Capital Analysts has existing clients in the CAAMS Stock and CAAMS ETF programs that pay an Investment Advisory Fee to the financial advisor, a Management Fee (to Capital Analysts for the management of the portfolio by the Capital Analysts Investment Management and Research Team) plus all ticket charges for the transactions that occur within their managed accounts. These non-Wrap Program CAAMS Stock and CAAMS ETF Programs are no longer offered to new clients. Existing clients should refer to their advisory agreement for a description of the fees paid by them. In addition, some existing clients are assessed fees quarterly in arrears of services rendered. Fees assessed in arrears are no longer offered to new clients.

## **Potential Conflicts of Interest and other Sources of Compensation**

Capital Analysts, its financial advisors, members of the Capital Analysts Investment Management and Research team and employees of Capital Analysts may buy or sell for themselves securities that are also recommended to clients. With the exception of its Insider Trading policies and procedures, Capital Analysts does not impose on itself or any person associated with it any restrictions in connection with the purchase or sale, directly or indirectly, of investments for his or her own account. Capital Analysts requires that financial advisors disclose any and all conflicts of interest to you if an investment product is recommended for which Capital Analysts or the financial advisor has a material financial interest.

Capital Analysts is affiliated with Lincoln Investment Planning, Inc. (Lincoln Investment), a dually registered investment adviser and broker-dealer, as well as an insurance agency. Most financial advisors of Capital Analysts are also registered representatives of Lincoln Investment and may offer securities or insurance products to clients. . This relationship may present a conflict of interest. Through their affiliation with Lincoln Investment, your financial advisor may effect security transactions for you within your advisory and non-advisory portfolios, and/or choose to offer to you similar or different investment advisory services that are offered through Lincoln Investment. The advisory fees for Lincoln Investment's investment advisory services may be higher or lower than Capital Analysts' advisory fees. Securities or insurance product recommendations by your financial advisor are to be made only when there appears to be a need and when the product meets your current objectives. Purchase of any such products by you may result in a commission being paid to the financial advisor for his or her role as a registered representative or agent. This commission is in addition to any fee paid for the advisory services described in this Brochure. This compensation may be in the form of:

- Securities commissions, mutual fund sales charges or dealer concessions. For any product sold by prospectus or offering circular, please read the applicable prospectus or offering circular regarding compensation to the broker dealer or insurance agency. This compensation may be shared with your financial advisor.
- Recurring distribution fees based on the value of the assets held in an account (12b-1 and/or management fees). For any product sold by prospectus or offering circular, please read the applicable disclosure document in detail for distribution fee information.
- Insurance commissions as the result of insurance sales to you.

Additional forms of compensation received by Lincoln Investment may be shared with your financial advisor:

- Cash payments from product sponsor companies as reimbursement for training and educational expenses incurred by financial advisors or Capital Analysts home office associates when attending educational meetings or conferences held by Capital Analysts, Lincoln Investment or by a product sponsor.
- Cash payments from product sponsor companies as reimbursement for approved marketing and sales expenses incurred by Capital Analysts or your financial advisors including general mailings and other marketing efforts, client appreciation meetings or educational seminars for investors or prospective investors.

The amount of compensation varies from one company to another.

Lincoln Investment, as the affiliated broker dealer, may receive from one or more of the product sponsors whose products or services are also offered within the advisory programs at Capital Analysts, sales event sponsorship, networking reimbursement fees, administration fees for back office services, and marketing support cash payments. These payments are not shared with Capital Analysts or the Capital Analysts financial advisors. Lincoln Investment plays no fiduciary role in the solicitation, offer or sale of the services offered by Capital Analysts.

Pershing LLC will share with Lincoln Investment, as the introducing broker dealer on the advisory accounts, a portion of its 12b-1 fee and /or shareholder servicing fee revenues it derives from Capital Analysts' advisory accounts. Lincoln Investment will also receive from Pershing LLC a portion of the revenue received by Pershing LLC derived from cash balances in money market funds and margin debt interest associated with Capital Analysts advisory accounts maintained at Pershing. This compensation will not be shared with Capital Analysts or its financial advisors. Certain 12b-1 fees are passed through by Pershing to Lincoln and will be shared with the financial advisor. All 12b-1 fees on ERISA plan assets are rebated to the plan account(s). Lincoln Investment may mark-up the commission on some transactions executed through Pershing LLC, including ticket charges. Capital Analysts has a policy of not allowing the absorption of ticket charges by product sponsor companies and will not participate in directed brokerage transactions

Lincoln Investment and Capital Analysts provides incentives, such as sales contests and conferences, for certain financial advisors, the eligibility for which is based on criteria related to the assets or sales of Capital Analysts' investment advisory services, thus creating a potential conflict of interest for the financial advisor. Capital Analysts may pay a portion of the fees received from any advisory services rendered to the supervisory office where your financial advisor conducts his/her business. This payment to the office will not result in a higher fee being charged to you.

Additionally, Capital Analysts may compensate outside Solicitors for client referrals from time to time. (See Item 14 of this brochure).

#### **Other costs and fees you may incur include:**

In addition to Capital Analysts' advisory fee paid by you, you may incur additional fees and costs: You should consider the total cost to your portfolio, as cost will impact the performance of your portfolio.

**Internal Expenses.** Internal management fees or other expenses charged by the mutual fund, exchange traded fund (ETF) or sub-account of a variable annuity (also known as the internal expense) can affect the performance of your portfolio. The sponsors of these offerings charge a fee for the active (or passive) management and operations of their offerings. The higher the internal expense, the more it could affect the performance of your portfolio. These internal expenses are disclosed in the offering prospectus.

**Brokerage Account Fees.** Capital Analysts offer its advisory services primarily on Pershing LLC's platform, but it may also offer its advisory services on other custodial platforms. Each platform assesses different account, service and transaction fees, such as, custodial fees, ticket charges, brokerage commissions, transaction fees, administrative fees, statement and confirmation fees, retirement plan recordkeeping or custodial fees, and low balance or account termination fees. (Please refer to Item 12, Brokerage Practices, for further information.)

**Mutual Fund Short-term Trading Redemption Fees.** Some mutual funds impose short-term trading redemption fees of up to 2% for active trading or exchanging in and out of their funds. This could affect you or your Portfolio Manager's ability to minimize the costs to you in your portfolio.

**Variable Annuity Rider and Contract Costs.** These costs may include annuity contract charges, optional benefit riders, underlying sub-account expenses, and potential surrender fees.

**Rights of Accumulation.** Many mutual funds offer rights of accumulation or other sales charge discounts. The mutual fund company may or may not count your assets held in an advisory service as eligible for a reduced sales charge on other non-advisory purchases. You should consult the fund prospectus for the product sponsor's specific rules.

#### **Other Compensation and Other Conflicts of Interest:**

Capital Analysts recognizes its fiduciary duty to place your interests above our own and that the other compensation received by your financial advisor from other sources presents a conflict of interest and could be viewed by you as an incentive for them to recommend investment products based on compensation rather than your financial needs. Capital Analysts believes that the receipt by the financial advisor of additional compensation is important to us and you. It allows us to provide services to you, including such things as access to your account information, ongoing education and training of financial advisors and the ability to provide lower servicing fees for certain services provided to you. Capital Analysts has chosen to address these conflicts by providing you disclosure so that when you are making your decision to do business with us, you can personally assess the importance and impact of such compensation. You have the option to purchase investment products through other brokers or agents that are not affiliated with Capital Analysts.

Capital Analysts' Investment Management and Research Team votes proxies on behalf of Wrap Fee Program clients only (refer to Item 17 of this Brochure). In some instances, voting proxies on behalf of a client can present a conflict of interest. For instance, if Capital Analysts was providing investment management services to a company whose management is soliciting proxies or if an associated person of Capital Analysts had a business or personal relationship with a member of executive management of a firm soliciting proxy votes. Capital Analysts maintains a policy that all such conflicts must be disclosed. Upon learning of such conflicts, Capital Analysts will take appropriate action to mitigate the conflict such as engaging an independent party to determine how to vote the proxy, vote in proportion to other shareholders, refer the proxy to the client for voting or disclose the conflict and seek the clients consent for voting.

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

Capital Analysts and our financial advisors do not receive performance based fees. A performance based fee is an advisory fee that compensates the financial advisor for the advisor's success in managing a client's money or "a fee based on the share of the capital gains and appreciation of a client's funds." A performance based fee may induce an adviser to take greater and undue risks with client's funds in an attempt to generate higher compensation to the adviser.

Your Advisory Fees with Capital Analysts are typically assessed as a percentage of the total value of your advisory account assets as of each calendar quarter-end and are not performance based fees.

## Item 7 – Types of Clients

Capital Analysts provides advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trusts, and other U.S. and international institutions.

Capital Analysts imposes a minimum dollar value of assets for its investment advisory accounts as described below (We may waive these minimum account requirements at our sole discretion):

<u>Program</u>	<u>Minimum Initial Investment</u>
CAAMS	\$25,000
CAAMS Plus	\$25,000
CAAMS Focus	\$50,000
CAAMS Complete	\$50,000 (Minimum for the Custom Income Portfolio is \$250,000)
CAAMS AssetBuilder	\$15,000
CAAMS ETF	\$50,000
CAAMS Stock	\$100,000
CAAMS UMA	\$100,000
CAAMS Select	Varies by Manager



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

Investing in securities involves risk of loss that you should be prepared to bear. The advisory services and advice offered by Capital Analysts and its financial advisors primarily attempt to provide to you a risk appropriate diversified portfolio. A diversified portfolio applies the disciplines and theories of asset allocation. Asset Allocation means, first and foremost, not “putting all your eggs in one basket,” and working to design a portfolio that sufficiently allocates your assets across different asset classes to help reduce the exposure to market loss. It is important to understand that asset allocation, although a proven theory to reduce risk in a portfolio, does not guarantee a profit or protect against loss.

The asset allocation recommended may be different than the actual asset allocation implemented. This is due to a number of factors, including, the fact that you may decide to implement only a portion of the recommendation. Regardless, it will be your financial advisor’s responsibility to inform you if your decisions to invest, or not to invest, may affect your ability to meet your intended risk tolerance level and investment objectives.

### CAAMS and CAAMS Plus

At the beginning of the relationship, your financial advisor will determine with you your risk profile and objectives, create an asset allocation policy, recommend a risk appropriate well diversified portfolio; and periodically re-balance the account (as directed) back to any stated asset allocation, if any. Your financial advisor will also periodically review your account with you to determine if any additional changes should be recommended or made to your account. Your financial advisor can analyze your financial situation provided you make available to them your personal and financial data, employee benefit and retirement programs, business continuation plans and even your most recent estate planning arrangements. The financial advisor can coordinate with your attorney, accountant, and other staff to discuss solutions. If your financial advisor analyzes your investment portfolio, the security analysis methods may include charting, fundamental, technical or cyclical analysis.

### CAAMS Select

Capital Analysts’ Investment Management and Research team utilize a database that evaluates independent third party portfolio managers, investment products and strategies. Capital Analysts’ proprietary quantitative rating methodology and qualitative fundamental analysis, along with style analysis, will be used to identify and make available separate third party portfolio managers for use by clients. Comparisons to both peers and appropriate benchmarks are evaluated.

Each third party portfolio manager in the CAAMS Select program develops their own proprietary research methodology, investment analysis and risk strategies. Third party portfolio managers are solely responsible for their investment advice and services.

For more information related to the Methods of Analysis, Investment Strategies and Risk of Loss associated with the advisory services provided by third party portfolio managers, please request a copy of the portfolio managers Form ADV Part 2, Wrap Fee Program Brochure or other appropriate disclosure documents.

## **Common risks of investing in certain products**

**Equities** – The price of equities fluctuate due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. You may receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in your investment will cause a more significant loss. Diversification assists in reducing concentration risk. If your financial advisor has been granted Limited discretion in the giving of advice to you, (CAAMS and CAAMS Plus), it is important that you become familiar with the different types of transactions that you can place with your financial advisor, such as, market orders, limit orders, and stop orders.

**Exchange Traded Funds (“ETFs”)** – While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a single security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs may help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed. Leveraged and Inverse ETFs bear unique risks that investors who wish to trade in these must understand. It’s important to read the appropriate prospectus or disclosure document specific to the leveraged or inverse ETF before investing.

**Fixed Income Investments** – One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing interest rates. For example, as interest rates rise, bond prices will generally fall. If an investor has to sell a bond prior to the maturity date, an increase in interest rates could mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as “credit risk” and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on debt obligations. You should be aware of four risks associated with call provisions.

- 1) The cash flow patterns of callable bonds are not known with certainty.

- 2) Since the issuer will typically exercise their right to call the bonds when interest rates have dropped, you may be exposed to reinvestment risk. You would have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.
- 4) If the issue is purchased at a premium, you may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a debt obligation may actually lose purchasing power over the course of time due to the effects of inflation.

Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue's liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk. If you plan on holding a bond until its maturity date, liquidity risk is less of a concern.

Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese yen. If the yen depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if the yen should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

**International Investing** – Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk.

Additional risk information may be available in a product's prospectus, offering circular or on the product sponsor's web site. Additional product specific risk information is available through the investor section of [www.finra.org](http://www.finra.org). Please review these resources for more detailed information on the risks related to the specific investments in your portfolio.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Capital Analysts or the integrity of Capital Analysts' management. Capital Analysts has no disciplinary history.

Your financial advisor should provide along with this brochure a supplement that describes your financial advisor's education, business experience, professional designations and material legal or disciplinary history, if any.

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

As noted earlier, Capital Analysts is an affiliate of Lincoln Investment Planning, Inc., (Lincoln Investment) which is a registered broker dealer and investment adviser, as well as a general insurance agency which currently has over 800 financial advisors - 200 of which are financial advisors associated with Capital Analysts. This relationship may present a conflict of interest. Additionally, through its relationship with Lincoln Investment, Capital Analysts introduces client accounts to Pershing LLC, a broker-dealer and member of the New York Stock Exchange, which provides custody and clearing of securities, including exchange traded securities. Pershing LLC carries accounts on a fully disclosed basis. Lincoln Investment is also an introducing broker member of the National Futures Association to facilitate the offering and sale of managed futures contracts to clients. Please refer to the "Other Compensation and Our Conflicts of Interest" section under Item 5 of this brochure for more information. For more information regarding Lincoln's investment advisor, refer to Lincoln Investment Planning, Inc.'s Form ADV Part 2, or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Capital Analysts' financial advisors are independent contractors, many of whom may hold themselves out to the public under a name other than Capital Analysts and offer other financial services independent of Capital Analysts, such as, life, health, disability, long term care and fixed annuity insurance products, real estate and retirement plan administration services. A few financial advisors may also be qualified lawyers and accountants or hold certain professional designations to conduct estate planning services. These services are offered independent of Capital Analysts. Capital Analysts may not provide any supervision over these activities. You may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org) or review the Supplement to this Brochure provided by your financial advisor for further information regarding your financial advisors' other business activities or affiliations.

Capital Analysts may permit certain financial advisors to maintain their own independent registered investment advisers through which they may offer advisory services similar to those services offered by Capital Analysts. In some cases, Capital Analysts allows these financial advisors to offer Capital Analysts' advisory services to their investment advisory clients. In these situations, Capital Analysts acts as a sub adviser or independent third party portfolio manager to the financial advisors' investment adviser clients. Capital Analysts assumes no suitability responsibility for the sub-advisory programs offered on behalf of these financial advisors and their independent investment adviser clients. All registered

investment advisors must provide to their clients an Investment Advisor Disclosure Brochure (Form ADV Part 2A). To inquire as to whether your financial advisor has a separate registered investment adviser, or is affiliated with more than one investment adviser, you may go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.brokercheck.finra.org](http://www.brokercheck.finra.org), or review the Supplement to this Brochure provided by your financial advisor.

## **Item 11 – Code of Ethics**

As a fiduciary, Capital Analysts has established a Code of Ethics under which all Capital Analysts employees and financial advisors must comply. Capital Analysts accepts its fiduciary responsibility to (1) place the interests of clients first at all times, (2) act with the utmost good faith (3) provide full and fair disclosure of all material facts and conflicts of interest to clients, and (4) conduct all personal securities transactions consistent with its Code of Ethics. Capital Analysts financial advisors are held to a professional standard that requires they avoid any abuse of an individual's position of trust and responsibility, not take inappropriate advantage of their positions; comply with applicable securities laws and regulations; and maintain confidentiality of client's financial circumstances. You may request a full copy of Capital Analysts' Code of Ethics from your financial advisor.

### **Participation or Interest in Client Accounts and Personal Trading**

For all exchange traded security portfolios that Capital Analysts or its financial advisors have discretionary authority, the financial advisor and his or her employees must give priority when placing an order to buy or sell to client securities purchases and sales over their own personal transactions in the same security. This means that any transaction by the financial advisor or his/her employee must be placed either simultaneously with the client's transaction (i.e. by aggregating the trade orders) or *after* all client trades are placed on the same trading day. While this does not guarantee that the client will receive a better price, it does establish that the client trades will occur at the same time or before that of the financial advisor or his/her employees. At no time may a financial advisor participate in the profits or losses of an investor's account. Personal trading accounts of financial advisors are reviewed regularly to ensure compliance.

### **Aggregated Trade Policy for Exchange Traded Securities**

Part of Capital Analysts' fiduciary obligation to its clients is to ensure when allocating investment opportunities or trades among various client accounts- as well as accounts in which it (or its associates) have a proprietary interest, that we do so in a manner that is fair and equitable treatment to all clients and in a way that avoids conflicts of interest, if possible.

Therefore, Capital Analysts has adopted the following Trade Allocation Policy that may be used by financial advisors with Full discretion over their clients' accounts. The Advisor is not obligated to aggregate orders; however, he/she shall determine whether a trade shall be aggregated based on the following parameters:

Trades in the following situations will typically be aggregated by the financial advisor:

- The financial advisor recognizes ahead of time that he/she shall be buying or selling the same security in more than one client account on the same day.
- The financial advisor realizes that aggregating may facilitate a better execution price for all clients,
- The securities involved are exchange traded (stocks, bonds, ETFs) as opposed to open-end mutual funds or annuity sub accounts.

The following situations do not require aggregation of trades by the financial advisor:

- Trades/Transactions for any client account would not be aggregated if prohibited by or inconsistent with the client's investment management agreement.
- Trades that are a result of implementation of a change of investment strategy for a specific client.
- Trades that are a result of implementation of a new client's account allocation
- Trades that are a result of rebalancing to an asset allocation policy that is done as a result of a client by client account review.
- Trades where the advisor does not believe that aggregating orders would adversely impact price and/or execution for the client.

If for whatever reason the security to be purchased cannot be obtained in the total quantity required, the allocation of shares will be made on a pro rata basis determined by the ratio of the quantity obtained to the share quantity on the original order ticket. Each client would participate in the order at the average price for all of the given executed security transactions on a given day. The transaction cost to all advisory clients shall be the standard ticket charge for the aggregated order.

If implementing the trade requires transactions over several days, each day's execution shares and average price on all executions for that day shall be allocated by the end of each trading day or no later than the next trading day. Accounts owned by Capital Analysts or its associates may trade on the same aggregated trade ticket.

## **Item 12 – Brokerage Practice**

Capital Analysts utilizes its affiliate, Lincoln Investment, as its introducing broker-dealer unless specifically directed by a client or third party manager to place trades with another broker-dealer. Lincoln Investment's primary clearing arrangement is with Pershing LLC. Pershing may make a market in securities in which Lincoln Investment has acted as broker. Lincoln Investment and Capital Analysts have policies and procedures in place to monitor trade execution practices at Pershing LLC to meet its obligations to obtain best execution on behalf of Capital Analysts' clients.

Capital Analysts does not receive "research" from broker-dealers in exchange for the directing of

brokerage or higher execution costs (soft dollars). Most transactions clear through Pershing LLC to facilitate our ability to access and properly monitor your investments.

Capital Analysts may on occasion place non-exchange traded securities transactions through its broker dealer affiliate Lincoln Investment, unless otherwise directed by the client. Clients have the right to utilize a broker-dealer other than Lincoln; however, Capital Analysts reserves the right to accept or reject such accounts based on its ability to provide adequate account monitoring and best execution.

## **Item 13 – Review of Accounts**

### **Reviews**

Your financial advisor is responsible to ensure that the advisory service chosen by you is suitable for you. Many of Capital Analysts' programs are managed to meet different levels of risk, so choosing the appropriate risk level or tolerance for market fluctuation is an important part of your decision. At minimum, annual reviews should be held between by you and your financial advisor to ensure that the advisory program continues to meet your needs and goals.

Managing Associates in every office are provided with supervisory procedures which require the Managing Associates to provide regular review and supervision of the appropriateness of the advice and to review for compliance with regulations relating to all financial plans and investment advisory services recommended by financial advisors associated with the office. Managing Associates are responsible to review and approve both the Advisory Services Agreements and the Investment Management Agreements prior to submission to Capital Analysts. On a routine basis, Capital Analysts' compliance staff conducts on-site branch office audits to ensure procedures are being complied with and that proper supervision is maintained.

The Capital Analysts Investment Management and Research Team manage and monitor the CAAMS Wrap Fee discretionary programs. In addition, they conduct due diligence and monitoring of the third party portfolio managers.

### **Written Reports**

At minimum, you will receive regular account statements, either monthly or quarterly depending on your account activity, from the custodian(s) who carry your account(s). As most Capital Analysts advised or managed accounts are custodied at Pershing LLC, you will receive these statements directly from Pershing LLC, either in hard copy or electronic format.. This statement will reflect all positions and transactions that have occurred in your account as well as identify any fees, including the advisory fee, deducted from your account.

Some financial advisors and CAAMS services may also provide you supplemental advisory reports which may include performance reports, aggregated account reviews, or a summary portfolio snapshot. These supplemental reports, typically generated on a quarterly basis, are made available to you either electronically or will be delivered to you. These supplemental reports are provided as a courtesy to you

and should not replace your custodial statement(s). We urge you to compare these supplemental reports to the account statements you receive. If you find any discrepancies, please contact your financial advisor or Capital Analysts.

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

Capital Analysts may compensate outside Solicitors for client referrals from time to time. Certain financial advisors licensed with Capital Analysts have entered into referral arrangements with Solicitors who will be paid compensation for referring clients to Capital Analysts. The compensation paid to the Solicitor will be in the form of ongoing payments based on a client's continued use of investment advisory services through Capital Analysts. The payments to the Solicitor will be a percentage of the fees paid for investment advisory services. Additionally, if a client utilizes brokerage services through Capital Analysts' affiliate, Lincoln Investment, a solicitor, if properly licensed with Lincoln Investment, may share in the compensation earned from commissions, mutual fund loads, and/or 12b-1 distribution fees. The advisory fees and commissions that Capital Analysts and Lincoln Investment charge its clients are not increased as a result of the Solicitor's involvement in the arrangements. A Solicitor Disclosure Statement that describes the compensation that could be paid to the Solicitor is provided to each client prior to the client engaging in the advisory services.

#### **Item 15 – Custody**

Capital Analysts' affiliate, Lincoln Investment, is the broker-dealer for most Capital Analysts advisory business and utilizes Pershing, LLC as its fully disclosed clearing broker-dealer and "qualified custodian" under broker-dealer regulations and Rule 206(4)-2 (the "Custody Rule") of the Investment Advisers Act of 1940. You should receive, at minimum, a quarterly statement from the qualified custodian(s) of your account assets. We urge you to carefully review these statements and compare them to any supplemental reports provided to you by Capital Analysts or your financial advisor. The information in these supplemental advisory reports may vary from your custodial statements based on accounting procedures and reporting dates. Please contact your financial advisor or Capital Analysts regarding any statement discrepancies.

#### **Item 16 – Investment Discretion**

For most Investment Management Services offered by Capital Analysts, you must authorize, in writing, the use of either Limited or Full- discretionary trading authority to the financial advisor or the Capital Analysts Investment Management and Research Team, in order for them to provide the stated advisory service(s).



Only the Capital Analysts Investment Management and Research Team and a select group of Capital Analysts financial advisors have been approved to offer Full-discretion asset management services. “Full-discretion” means the Capital Analysts Investment Management and Research Team and/or your financial advisor may place any security transactions in your account without specific consultation with or authorization by you prior to the transactions being entered. Those approved for Full-discretion have qualified based on proven expertise by meeting one or more of the following criteria: years of financial business experience, use of a consistent investment management discipline, and/or the earning of one or more pertinent financial professional designations.

Most Capital Analysts financial advisors utilize Limited discretionary trading authority when providing you advice regarding your portfolio. “Limited-discretion” means that your financial advisor has limited authority to select the time and/or price of the security to be purchased or sold, and/or to rebalance your account back to a pre-stated asset allocation of pre-selected securities. Your financial advisor does not have the authority to select new securities to be purchased in your account. The final decision as to any new securities to be bought or sold remains with you.

The Capital Analysts Investment Management Agreement will indicate the level of discretion, Limited or Full, being accepted by your financial advisor or the Team. In all cases, such discretion is to be exercised in a manner consistent with your stated risk tolerance and investment objectives. When selecting securities and/or determining amounts of shares to be bought or sold, the financial advisor is responsible to ensure that the management team observes the investment policies, limitations and any restrictions of the account.

Neither Limited nor Full discretion grants Capital Analysts or your financial advisors the right to withdraw any funds from your advisory account(s), except as specifically authorized in your advisory agreement for the deduction of advisory fees.

## **Item 17 – Voting Client Securities**

Currently, the Capital Analysts Investment Management and Research Team vote all proxies for their Wrap Fee Program managed portfolios: CAAMS Focus; CAAMS Complete; CAAMS AssetBuilder; CAAMS ETF; CAAMS Stock; and CAAMS UMA. For those CAAMS programs where the financial advisor advises or manages with Limited or Full-discretion (CAAMS; CAAMS Plus; CAAMS Focus), the financial advisors does not and cannot vote proxies on your behalf.

When voting client proxies, the Investment Management and Research Team places the clients’ best interest first and foremost when determining how to vote on a proxy issue. Typically, the Investment Management and Research Group will vote the recommendation of the issuer’s management group. To obtain a copy of the Proxy Voting Policy and Procedures, or to inquire on how a proxy was voted on your behalf, contact your Financial Advisor.

Please review the proxy voting policies of selected third party portfolio managers, if applicable on their respective Form ADV Part 2, Wrap Fee Program Brochure or other applicable disclosure document.