

## **Form ADV Part II**

### **Brochure Cover Page**

#### **CapWealth Insights, LLC**

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#### **Pending SEC Approval**

This brochure provides information about the qualifications and business practices of CapWealth Insights, LLC. If you have any questions about the contents of this brochure, please contact us at the phone number or email address indicated above. 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 CapWealth Insights, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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No Materials Changes to Note

CapWealth Insights, LLC is pending registration approval with The Securities and Exchange Commission.

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## **Form ADV 2A |CapWealth Insights, LLC**

### **Advisory Business**

#### ***Firm Profile:***

CapWealth Insights, LLC (CapWealth) is a Securities and Exchange Commission (SEC) Registered Investment Adviser (RIA) (pending approval). The SEC defines an investment adviser as an individual or firm that is in the business of giving advice. Even though CapWealth is registered with the SEC, neither the SEC nor any state securities authority has approved the information disclosed in this brochure. Also, being a RIA does not imply that CapWealth or its associates have achieved any specific level of skill or training.

CapWealth is a Limited Liability Company (LLC) based in Franklin, Tennessee and has been in business since 2013. Timothy J. Pagliara maintains ownership of the Firm.

#### ***Advisory Services:***

CapWealth offers the following types of services:

- Comprehensive Investment Reporting
- Establishment of Investment Objectives and Guidelines.
- Asset Allocation Analysis.
- Ongoing Investment Manager Evaluation.
- Ongoing Performance Measurement.
- Ongoing Investment Advice.
- Financial Planning

#### ***Individual Customization:***

Each client will provide Adviser with all pertinent information regarding investment objectives, risk tolerances, asset allocation, historical performance, income and liquidity requirements as well as any other relevant matters that may from time to time be requested. Adviser may rely on the information provided without further verification. If Client's needs or objectives change so that the information previously provided is no longer accurate or complete, Client agrees to notify Adviser promptly about such changes and to provide the updated information. Based upon the information provided by the client, CapWealth, to the fullest extent possible, will tailor services to meet the individual needs of each client.

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### **Fees and Compensation**

The Advisory Fee shall be payable quarterly in advance, as of the beginning of each calendar quarter and shall be based on the total value of the assets listed on Schedule B of the Advisory Services Agreement on the last day of the previous quarter. The initial Advisory Fee shall be based on the total value of the assets as of the contract date. The Advisory Fee for any period that is less than a full calendar quarter, either at the inception or termination of this Agreement, shall be prorated on a per-diem basis. The Advisory Fee does not include brokerage commissions or other transactional charges, or any fees or charges of any affiliated or unaffiliated advisor retained by Client or CapWealth. The Advisory Fee also does not cover certain costs or charges that may be imposed by custodians or other third parties, including costs associated with exchanging foreign currencies, odd-lot differentials, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law.

Clients will be assessed fees indicated on the table set forth below for the investment advisory services offered by CapWealth. The Advisory Fee is payable each quarter in advance and is expressed as an annual rate on the fee schedules set forth below. The quarterly rate will be approximately one-fourth of the annual rate. CapWealth will provide an invoice to the client for all Advisory Fees.

#### ***Fee Schedule:***

##### **Investment Advisory Accounts**

<u>Assets Under Advisement</u>	<u>Advisory Fee</u>
Up to and including \$100,000,000	.10%
\$100,000,001 to \$250,000,000	.09%
\$250,000,001 to \$500,000,000	.07%
500,000,001 to \$750,000,000	.05%
\$750,000,000 to \$1,000,000,000	.04%
Over \$1,000,000,001	.03%

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CapWealth may increase or decrease the standard Advisory Fee, which is set forth in the schedule above, in appropriate circumstances. The fee increase or decrease is based on a number of factors including, but not limited to the following:

- 1) The anticipated services required by the client
- 2) The type and size of client assets
- 3) Services provided to the client assets
- 4) The clients other assets with CapWealth
- 5) The assets of the client's family with CapWealth
- 6) CapWealth's assessment of the potential future business the client may generate

The Advisory Fee may be higher or lower than the fees that CapWealth charges other clients. The fee may vary by relationship and can be individually negotiated. Any increase in the Advisory Fee must be approved by the CEO or President.

***Termination of Agreement:***

This Agreement shall remain in effect until terminated in writing. Client may terminate the Agreement within five business days of its signing and receive a full refund of the initial Advisory Fee paid to CapWealth. Thereafter, this Agreement may be terminated by either party upon 30 days written notice to the other party. A pro-rata refund of the Advisory Fee will be made if the Agreement is terminated within a billing period. However, termination will not affect the Client responsibilities under this Agreement for Advisory Fees owed as a result of services rendered or costs incurred by Adviser. Upon termination, Adviser will have no further obligation under this Agreement to act for or advise Client with respect to Client's assets.

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

Neither CapWealth nor any of its investment professionals accept any performance-based fees. Performance-based fees refer to fees that are based on a share of capital gains on or capital appreciation of the assets of a client.

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### **Types of Clients**

CapWealth provides investment advice to the following types of clients:

**Individuals**

**High Net Worth Individuals**

**Ultra High Net Worth Individuals**

**Foundations**

**Endowments**

**Charitable organizations**

CapWealth does not require a minimum account size.



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### **Methods of Analysis. Investment Strategies and Risk of Loss**

#### **Methods of Analysis:**

CapWealth uses Fundamental Analysis to develop its investment advisement strategy. The basis of fundamental analysis is that all decisions should be based on sound arguments of financial nature. This is different from a technical analysis where decisions are made mostly on patterns of price fluctuations. Fundamental analysis attempts to study everything that can affect a security's value, including macro economic factors and company specific factors. The goal of performing fundamental analysis is to produce a value that can be compared with the security's current price. This would then be used to determine what position to take with the security.

CapWealth will also utilize cyclical analysis. This takes into consideration economic cycles in order to predict how various sectors of the market will perform.

#### **Risk of Loss:**

Investing is not risk free. Even with detailed analysis and sound strategies investors still have to factor in several types of risks and the effects on their investments. The following risks are associated with the investments on which CapWealth provides investment advice:

**Capital Risk:** This is the risk that you may lose all or part of the principal amount invested.

**Default / Financial Risk:** Businesses can and will experience financial difficulties. This can lead to companies not being able to make required payments on their debt obligations. Due to this risk, companies with a higher default risk must pay higher interest rates on their bonds. Thus, the typical yield on a riskier bond is higher.

**Economic Risk:** This is the risk posed by possible variations in earnings, prices, sales, rates of interest and other financial variables.

**Exchange Rate Risk:** The value of an investment can be effected due to changes in currency exchange rates. An adverse movement in exchange rates can create a substantial loss for the investor. Clients invested in foreign companies must be aware of this risk. The value of their investment in U.S. dollars can decline even if the company performs well. The decline in value would be due to the rise in the U.S. dollar relative to the value of the currency in the country where the investment is located.

**Inflation Risk:** What will be the future real value (after inflation) of any investment? This risk involves the

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loss of purchasing power due to the rise in the level of prices. Clients will lose purchasing power if their investments do not return an annualized average return above the rate of inflation. This is a concern for all investments, but is of particular concern for client portfolios that are heavily concentrated in fixed income investments.

**Interest Rate Risk:** This risk is associated with interest-bearing assets, such as bonds. Interest rates and bond prices have an inverse relationship. As interest rates rise the prices of bonds will decline, and vice versa.

**Liquidity Risk:** This risk refers to the ability to sell an asset quickly. This will be of particular interest to any investor that holds an investment that is thinly traded. The ability to find a buyer in these types of investments can be difficult and could lead to unexpected losses.

**Margin Risk:** The risk that market conditions can change rapidly and lead to unexpected losses and the cost of borrowing can erode any potential gain.

**Market Risk:** This is the overall risk when a client buys shares of any investment. Simply put, this is the risk that an investment will decrease. The factors associated with market risk are stock prices, interest rates, foreign exchange rates and commodity prices.

**Operational Risk:** This is the risk of business operations failing due to human error. The risk will change from industry to industry, and is an important consideration to make when looking at potential investment decisions.

**Political Risk:** Investments in foreign based companies or U.S. companies with significant revenue or assets in foreign countries are subject to the risk associated with political unrest and instability. This is also known as geopolitical risk and becomes more of a factor as the time horizon of an investment gets longer.

**Regulatory Risk:** The risk that a change in laws and regulations will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

**Strategy Risk:** Exposure to loss resulting from a strategy that turns out to be defective or inappropriate.

**Systemic Risk:** This risk refers to the collapse of an entire financial system or market. This risk could arise from financial system instability or a catastrophic event.

**Tax Risk:** Investors must understand the tax impact of their financial transactions. Each transactions will have or eventually have a taxable impact on the client. Also, the current tax implications must be weighed against the uncertainty of future tax rates.

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**Disciplinary Information**

Neither CapWealth nor any of its officers, investment advisors and employees have had any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management since its inception.

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

CapWealth Insights, LLC has an affiliated broker-dealer, CapWealth Investment Services, LLC (CWIS) and an affiliated SEC Registered Investment Advisor, CapWealth Advisors, LLC (CWA). CWIS is registered with the SEC and is a FINRA/SIPC member. All firms are located in Franklin, TN and share the same office. CWIS is a single member LLC. Timothy J. Pagliara is the single member and has 100% ownership of CWIS. CWA is owned by Timothy Pagliara and Phoebe Venable.

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### **Code of Ethics, Conflicts of Interest and Personal Trading**

The Investment Advisers Act of 1940 requires all Investment Advisers to adopt a Code of Ethics. The Code of Ethics sets forth the basic policies of ethical conduct for all officers and employees of CapWealth. The foundation of the Code of Ethics consists of basic standards of conduct including, but not limited to, the avoidance of conflicts between personal interests and interests of the Firm or its clients. Officers and employees of CapWealth understand and adhere to the following ethical standards:

- 1) The fiduciary duty at all times to place the interest of the Firm's clients first.
- 2) The duty to ensure that all personal securities transactions be conducted in a manner that is consistent with the Code of Ethics to avoid any actual or potential conflict of interest or any abuse of such officers and employees position of trust and responsibility.
- 3) The duty to ensure that the officers and employees of the Firm do not take inappropriate advantage of their position with the Firm.

All CapWealth employees have received a copy of the Code and have signed an attestation acknowledging their understanding and acceptance of the Code.

The firm will promptly forward a copy of its Code of Ethics to any client upon request. Please contact R. Scott Roland at 615-778-0740, toll-free at 877-262-2650 or via e-mail at [sroland@capwealthadvisors.com](mailto:sroland@capwealthadvisors.com) to request a copy.

### ***Limitations on Personal Trading by Employees:***

To prevent conflicts of interest, all employees of CapWealth must comply with the firm's Policies and Procedures and with the firm's Code of Ethics, which impose restrictions on the purchase and sale of securities for their own accounts and the accounts of certain affiliated persons.

A Principal of CapWealth will review all securities transactions of related persons to ensure that no conflicts of interest exist. No security may be bought or sold by a principal or employee of CapWealth before CapWealth's client accounts have had the opportunity to make such transactions as appropriate (except transactions in investment company securities and for other exempt securities). If after reviewing any employee transaction, the compliance department determines that a potential conflict of interest exists he/she shall have the authority to make any necessary adjustments, including canceling and re-billing the transaction to such other account(s) as appropriate.

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***Employee Reporting Requirements:***

All new employees of CapWealth must provide their personal securities holding no later than 10 days after becoming an employee. Each quarter thereafter, each employee must report their quarter transactions and current holdings.

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### **Brokerage Practices**

CapWealth Insights, LLC (CapWealth) has an affiliated broker-dealer, CapWealth Investment Services, LLC (CWIS). CWIS is registered with the SEC and is a FINRA/SIPC member that clears through Sterne Agee Clearing (SAL). Both firms are located in Franklin, TN and share the same office. CWIS is a single member LLC. Timothy J. Pagliara is the single member and has 100% ownership of CWIS.

#### ***Soft Dollars:***

CapWealth receives no products, research, or services that it would consider a factor in recommending a particular broker-dealer. It is CapWealth's policy not to accept any commissions as soft dollars to purchase research services or other services.

#### ***Personal Trading by Employees:***

Principals and employees of CapWealth buy and sell securities that it also recommends and offer investment advice to clients. To prevent conflicts of interest, all employees of CapWealth must comply with the firm's Policies and Procedures and with the firm's Code of Ethics, which impose restrictions on the purchase and sale of securities for their own accounts and the accounts of certain affiliated persons. For additional information regarding employee transactions please see the section entitled "Code of Ethics".

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### **Client Relationship Review**

CapWealth will conduct a client relationship review on a quarterly basis. The review will be conducted by senior officers of the firm. These reviews are conducted to ensure that each client's assets are being properly advised according to the services indicated on the Advisory Services Agreement. Each client relationship also undergoes a comprehensive annual review.

It is also the responsibility of each Investment Adviser Representative to devote the requisite amount of attention to professionally advise each of his/her clients in accordance with the investment objectives of the client. In advising accounts, each Investment Adviser Representative is required to maintain regular communication with his/her clients.

### ***Reports to Clients:***

At minimum, CapWealth will provide clients with quarter and annual written statements of the client assets. These reports will provide the purchase date, the cost, the current market value and performance data for the period (or since the execution of this agreement). The nature and frequency of reports to clients are determined primarily by the particular needs of each client.

CapWealth recommends clients to compare account transactions and holdings listed on these statements to the account transactions and holdings from the custodian. The CapWealth statement may vary from the custodial statement based on accounting principals, reporting dates or valuation methodologies of certain securities. Please contact CapWealth at 615-778-0740 or toll-free at 877 - 262-2650 if any discrepancies are discovered.



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**Client Referrals and Other Compensation**

Neither CapWealth nor any related persons have any arrangements, oral or in writing, where it:

- 1) Is paid cash by or receives some economic benefit from a non-client in connection with giving advice to clients.
- 2) Directly or indirectly compensates any person for client referrals.

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### **Custody**

Custody (physical possession and control) of client assets will be maintained with the independent custodian(s) selected by the client. CapWealth will not have custody of any client assets at any time. Clients will be solely responsible for paying all fees or charges of the custodian(s).

CapWealth will issue quarterly statements. CapWealth recommends clients to compare account transactions and holdings listed on these statements to the account transactions and holdings from the custodian. The CapWealth statement may vary from the custodial statement based on accounting principals, reporting dates or valuation methodologies of certain securities. Please contact CapWealth at 615-778-0740 or toll-free at 877-262-2650 if any discrepancies are discovered.

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**Investment Discretion**

CapWealth does not offer investment supervisory services on a discretionary basis.

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**Voting Client Securities**

It is the policy of CapWealth not to vote proxies on behalf of its clients.

Proxies and other solicitations will be sent to clients by the custodian(s). Clients may contact us by phone at 615-778-0740 or toll-free at 877-262-2650 if any questions arise regarding a particular solicitation.

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### **Financial Information**

#### *Balance Sheet:*

CapWealth does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, CapWealth is not required to provide a copy the Firm's Balance Sheet from the most recent fiscal year end.

#### *Financial Condition:*

As a registered investment advisor, CapWealth is required to provide clients with certain financial information or disclosures about our financial condition. CapWealth does not have any financial commitments that impair its ability to meet its contractual and fiduciary commitments and the firm has not been the subject of any bankruptcy proceeding.

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

CapWealth is pending registered with the United States Securities and Exchange Commission (SEC). Therefore, it is not considered a state registered adviser and this section is not applicable.