

## Item 1 - Cover Page

### Southport Capital, Inc.

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### January 14, 2015 Brochure

This brochure provides information about the qualifications and business practices of Livingston Group Asset Management Company d.b.a. Southport Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (423) 265-2700 or [clayparker@southport.com](mailto:clayparker@southport.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Southport Capital, Inc. is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Southport Capital also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

### Item 2 - Material Changes

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include providing a Summary of Material Changes (the "Summary") reflecting any material changes to our policies, practices, or conflicts of interest made since our last required "annual update" filing. In the event of any material changes, this Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on April 1, 2014. Of course the complete Brochure is available to clients at any time upon request.

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#### ***Item 4 - Advisory Business***

##### **General Information**

Livingston Group Asset Management Company d.b.a. Southport Capital, Inc. ("Southport Capital") was formed in 2001, and provides financial planning, portfolio management, and general consulting services to its clients.

Horizon Private Equity Fund, III ("Horizon") is the sole principal owner of Southport Capital. William V. Conn, Jr. is the Elected Manager of Horizon. James C. Parker and James W. Woods are also owners of Southport Capital. Please see ***Brochure Supplements***, Exhibit A, for more information on Mr. Parker and Mr. Woods and other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts.

As of December 31, 2013, Southport Capital managed \$220,760,844 on a discretionary basis, and no assets on a non-discretionary basis.

#### **SERVICES OFFERED**

At the outset of each client relationship, Southport Capital spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and reviewing options for the client. Based on its reviews, Southport Capital generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"); and
- the client's investment objectives and guidelines (the "Investment Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments Southport Capital will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client, but are not necessarily written documents.

Where Southport Capital provides general consulting services, Southport Capital will work with the client to prepare an appropriate summary of the specific project(s) to the extent necessary or advisable under the circumstances.

##### **Financial Planning**

Southport Capital offers limited financial planning services to those clients in need of such service in conjunction with Portfolio Management services. Southport Capital's limited financial planning services normally address areas such as general cash flow planning, retirement planning, and insurance analysis. The goal of this service is to assess the financial circumstances of the client to more effectively develop the client's Investment Plan. Financial Planning is not offered as a stand-alone service or for a separate fee, but is typically provided in conjunction with the management of the portfolio.

##### **Portfolio Management**

As described above, at the beginning of a client relationship, Southport Capital meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by Southport Capital based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, Southport Capital will manage the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Southport Capital will have the authority to supervise and direct the portfolio without prior consultation with the client.

Notwithstanding the foregoing, clients may impose certain written restrictions on Southport Capital in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Southport Capital.

#### Sub-Advisory Services (Asset Management for Clients of other Investment Professionals)

Other registered investment advisers and investment professionals (the "primary advisers") may hire Southport Capital to manage their clients' assets. In these arrangements, Southport Capital will implement and manage an investment strategy in the client's account; however, Southport Capital does not serve as the primary adviser to the client. The primary adviser will retain direct contact with the client and will manage the client relationship. The primary adviser's client will typically enter into an advisory contract directly with Southport Capital or alternatively, depending on the contractual arrangement the client has with his primary adviser, Southport Capital may contract directly with the primary adviser to provide the client investment advisory services.

Southport Capital will have exclusive investment discretion as to which securities shall be purchased or sold in the sub-advised client's account in a manner consistent with the client's selected product, investment objectives, policies and restrictions (if any) and the capabilities of the broker-dealer. In order to determine whether a strategy is suitable for a client, the primary adviser and the client are responsible for ascertaining the goals and objectives of the portfolio in question. In addition, Southport Capital will obtain initial documentation of the client's risk parameters and investment objectives. However, it is the responsibility of the primary adviser and/or the client to promptly notify Southport Capital of any changes in financial condition of the client that would necessitate a change in the client's investment objective.

#### Separate Account Managers

When appropriate and in accordance with the Investment Plan for a client, Southport Capital may recommend the use of one or more Separate Account Managers, each a "Manager." Having access to various Managers offers a wide variety of manager styles, and offers clients the opportunity to utilize more than one Manager if necessary to meet the needs and investment objectives of the client. Southport Capital will usually select or recommend the Manager(s) it deems most appropriate for the client. Factors that Southport Capital considers in recommending/selecting Managers generally includes the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

The Manager(s) will generally be granted discretionary trading authority to provide investment supervisory services for the portfolio. Under certain circumstances, Southport Capital retains the authority to terminate the Manager's relationship or to add new Managers without specific client

consent. In other cases, the client will ultimately select one or more Managers recommended by Southport Capital. Fees paid to such Manager(s) are separate from and in addition to the fee assessed by Southport Capital.

In any case, with respect to assets managed by a Manager, Southport Capital's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio. Southport Capital will contact clients at least annually to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose (or modify) any reasonable restrictions on the management of the account.

#### Wrap Programs

From time to time and in accordance with the Investment Plan for a client, Southport Capital may utilize the separate account managers, each a "Sub-Adviser," available in a Wrap Program. A Wrap Program is one that charges one fee (the "wrap fee") for both the Sub-Adviser's fee and the transaction expenses incurred by the account. Southport Capital's fee is charged separately from and in addition to the wrap fee.

Southport Capital has chosen the Strategic Asset Review ("STAR") Wrap Program sponsored by Oppenheimer and Company, Inc. for this purpose. The STAR Wrap Program offers actively managed portfolios constructed from a universe of eligible funds, including load-waived and no-load funds.

#### Southport's Beacon Plan

Southport Capital utilizes its Beacon Plan ("Beacon") to assist with analyzing and aggregating client investment and account data. Basic Beacon account access is made available to all active advisory clients. Clients may set up an account with Beacon online which offers increased visibility of their accounts and overall financial situation. Clients will be able to view their aggregate account data, have secure document storage, and may view presentations that provide analyses of their investments.

#### Retirement Plan Services

Southport Capital offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

##### ***Fiduciary Consulting Services***

Southport Capital provides the following Fiduciary Retirement Plan Consulting Services:

- Investment Policy Statement Preparation. Southport Capital will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- Non-Discretionary Investment Advice. Southport Capital will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.

- Investment Selection Services. Southport Capital will provide you with recommendations of investment options consistent with ERISA section 404(c).
- Investment Due Diligence Review. Southport Capital will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- Investment Monitoring. Southport Capital will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and Southport Capital, Inc. will make recommendations to maintain or remove and replace investment options.
- Default Investment Alternative Advice. Southport Capital will provide you with non-discretionary investment advice to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. You will retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).
- Individualized Participant Advice. Upon request, Southport Capital will provide one-on-one advice to Plan participants regarding their individual situations. We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to you for your ultimate approval or rejection. The retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and Southport Capital does not serve as administrator or trustee of the plan. Southport Capital does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

Southport Capital acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only.

### ***Fiduciary Management Services***

Southport Capital provides clients with the following Fiduciary Retirement Plan Management Services:

- Discretionary Investment Selection Services. Southport Capital will monitor the investment options of the Plan and add or remove investment options for the Plan. Southport Capital will have discretionary authority to make all decisions regarding the investment options that will be made available to Plan participants.

- Default Investment Alternative Management. Southport Capital will develop and actively manage qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.
- Investment Management via Model Portfolios. Southport Capital will provide discretionary management via model portfolios. Southport Capital manages Model Portfolios which are investment options available to Plan participants. If a Plan has elected to include Southport Capital Model Portfolios as available options for the qualified retirement plan, then each Plan participant will have the option to elect or not elect the Model Portfolios managed by Southport Capital and will be allowed to impose reasonable restrictions upon the management of each account by written instructions to Southport Capital.

If you elect to utilize any of Southport Capital's Fiduciary Management Services, then Southport Capital will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and Southport Capital hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

### ***Non-Fiduciary Services***

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Southport Capital is not acting as a fiduciary to the Plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

Southport Capital provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- Participant Education. Southport Capital will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. Southport Capital's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Southport Capital will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. Southport Capital will assist you with the establishment of a qualified plan by working with you and a selected Third Party Administrator. If you have not already selected a Third Party Administrator, we shall assist you with the review and selection of a Third Party Administrator for the Plan.

When a client has not already selected a Third-Party Administrator, Southport Capital can assist the client with the review and selection of a Third-Party Administrator for the Plan.

- Due Diligence Review. Southport Capital will provide you with periodic due diligence reviews of your Plan's fees and expenses and your Plan's service providers.
- Fiduciary File Set-up. Southport Capital will help you establish a "fiduciary file" for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.
- Benchmarking. Southport Capital will provide you benchmarking services and will provide analysis concerning the operations of the Plan.

*Retirement Plan Services -General Information and Disclosures*

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

General Consulting

In addition to the foregoing services, Southport Capital may provide general consulting services to clients. These services are generally provided on a project basis, and may include, without limitation, minimal cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specific to the client as and when requested by the client and agreed to by Southport Capital. The scope and fees for consulting services will be negotiated with each client at the time of engagement for the applicable project.

***Item 5 - Fees and Compensation***

General Fee Information

Clients enter into one of two fee arrangements. Generally clients elect to pay management fees to Southport Capital separately from the brokerage expenses of the account. Accordingly, client accounts pay a management fee, plus the cost of transactions in the account. The brokerage expenses may take the form of asset-based pricing, meaning that the broker/dealer charges the account a flat-rate percentage to cover all brokerage expenses, or these expenses may be assessed on a per-trade basis (choose one or both). Please see ***Item 12 - Brokerage Practices*** for additional information.

In either of these arrangements, the fees noted above are separate and distinct from the internal fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds,



brokers, Southport Capital and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

Portfolio management fees are typically payable quarterly in arrears or advance in accordance with the client's Investment Management Agreement with Southport Capital. The value of the securities is computed by the custodian based on the market value as of the last day of each calendar quarter. If there is no market value available, the security value is computed at fair value. If management begins after the start of a quarter, fees will be prorated accordingly. Fees may also be prorated for substantial cash flows at Southport Capital's discretion. With client authorization and unless other arrangements are made, fees are normally debited directly from client account(s).

Either Southport Capital or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to Southport Capital from the client will be invoiced or deducted from the client's account prior to termination.

#### Portfolio Management Fees

Southport Capital's fees for Investment Advisory and Sub-Advisory Services are based upon a percentage of assets under management. On a case-by-case basis, Southport Capital determines an appropriate fee structure based on the size, complexity, security type, investment objectives and anticipated levels of rebalancing and other related aspects of the active management nature of the account. In general, fees range from 0.50% to 2.50%. The terms and conditions of the fee structure are mutually agreed upon prior to entering into an advisory agreement. Southport Capital may, at its discretion, make exceptions to the foregoing or negotiate special arrangements where Southport Capital deems it appropriate under the circumstances.

#### Retirement Plan Services Fees

For retirement plan sponsors, the Plan will be charged the following annual fee based upon the amount of Plan assets:

<u>Plan Assets</u>	<u>Annual Fees</u>
\$0 – \$1,000,000	0.75%
Next \$1,000,000 – \$5,000,000	0.50%
Next \$5,000,000+	0.25%

Fees are negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested and the representative providing the services.

For individual participants, we charge a percentage of the participant's account value. The percentage fee ranges from 0.25% to 0.75% per year. Fees are negotiable based upon the actual services requested and the complexity of the participant's situation. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

#### Separate Account Manager Fees

When one or more Managers are utilized, the Manager(s)' fees will be separate from and in addition to Southport Capital's fee. Southport Capital's maximum fee in these arrangements may be less than if the firm managed the assets directly. Clients should refer to the Manager(s)' Form ADV Part 2 "Brochure" for the fees and expenses applicable to each arrangement as they vary by Manager.

### Wrap Program Fees

Southport Capital's fee is charged separately from and in addition to Wrap Program Fees.

### General Consulting Fees

When Southport Capital provides general consulting services to clients, these services are generally separate from Southport Capital's financial planning and portfolio management services. Fees for general consulting are negotiated at the time of the engagement for such services, and are normally based on an hourly or fixed fee basis.

### Other Compensation

Certain of Southport Capital's employees are also insurance agents with Lakewood Ranch Risk Management, LLC ("LRRM"), a licensed insurance agency and affiliate of Southport Capital. LRRM and these individuals are entitled to receive commissions or other remuneration on the sale of insurance products. As such, they will be able to effect insurance transactions and will receive separate, yet customary compensation. To protect client interests, Southport Capital's policy is to fully disclose all forms of compensation before any such transaction is executed. Under no circumstance will the client pay both a commission to these individuals and a management fee to Southport Capital on the same pool of assets. Please see ***Item 10 – Other Financial Industry Activities and Affiliations*** for additional information.

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

Southport Capital does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Southport Capital has no performance-based fee accounts, it has no side-by-side management.

### ***Item 7 - Types of Clients***

Southport Capital serves individuals, pension and profit-sharing plans, corporations, trusts, estates, charitable organizations and other business entities.

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

#### Methods of Analysis and Investment Strategies

The Firm primarily uses a combination of stocks, bonds, mutual funds, options, and Index Exchange-Traded Funds ("ETFs") to meet client objectives. Investments may also include: warrants, commercial paper, certificates of deposit, futures contracts, investing in oil and gas interests, hedge funds, and interests in partnerships.

In selecting individual stocks for an account, Southport Capital generally applies traditional fundamental analysis including, without limitation, the following factors:

- Financial strength ratios;
- Price-to-earnings ratios;
- Dividend yields; and
- Growth rate-to-price earnings ratios

Southport Capital will incorporate other methods of analysis, such as:

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

**Cyclical Analysis** – is a type of technical analysis that involves evaluating recurring price patterns and trends.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Specific sources of information that Southport Capital may use include The Economist Publication; Dow Jones News Feed, Greenhill Index, Global Macro, The Motley Fool and Ned Davis Research, as well as Industry Publications and the World Wide Web.

### Investment Strategies

Strategies may include long-term purchases, short-term purchases, trading, tactical asset allocation, short sales, margin transactions, and option writing and buying (including covered options, uncovered options or spreading strategies) which are described below:

Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Trading – generally considered holding a security for less than thirty (30) days.

Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

### Risk of Loss

While Southport Capital seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While Southport Capital manages client investment portfolios based on Southport Capital's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Southport Capital allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Southport Capital's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, Southport Capital may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* Southport Capital will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* Southport Capital may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* Southport Capital may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial

reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Currency Risk:* Southport Capital may invest portions of client assets in foreign investments. Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Margin Risk:* Southport Capital may invest its clients assets using margin accounts. Margin transactions, in which an investor deposits a certain amount in a margin account and securities are purchased in part with borrowed funds, are subject to legal limitations and may carry other risks, including the following:

- the possibility that the investor can lose more funds than were deposited in the margin account. A decline in the value of securities that are purchased on margin may require that the investor provide additional funds to the firm that has provided the loan to avoid the forced sale of those securities or other securities in the investor's account.
- the risk that Southport Capital can be forced to sell securities in the client's account. If the equity in the margin account falls below the maintenance margin requirements under the law—or the firm's higher "house" requirements—Southport Capital can sell the securities in the client's account to cover the margin deficiency. In this event, the client will also be responsible for any short fall in the account after such a sale.
- a client is not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension. In addition, a customer does not have a right to an extension of time to meet a maintenance margin call.

*Options Risk:* Even a small investment in options may give rise to leverage risk, and can have a significant impact on the accounts' performance. Derivatives are subject to credit risk and liquidity risk.

### ***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 a client's evaluation of Southport Capital or the integrity of Southport Capital's management. Southport Capital has no disciplinary events to report.

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

Southport Capital is principally owned by Horizon Private Equity III, LLC ("Horizon"), a private equity fund. As an owner of Southport Capital, Horizon will benefit when a client invests with Southport Capital, as Horizon will share in the client's investment management fee. Southport Capital clients are not solicited to invest assets in Horizon or any of its affiliated private funds.

Southport Capital is affiliated with Lakewood Ranch Risk Management, LLC ("LRRM"), a licensed insurance agency, by virtue of common ownership (i.e., each is fully owned by Horizon). From time

to time, Southport Capital may refer a client to LRRM for insurance services or LRRM may refer a client to Southport Capital for advisory services. Neither Southport Capital nor LRRM will receive a fee for making such referrals. Insurance services provided by LRRM are separate and distinct from Southport Capital's advisory services, and are provided for separate and typical compensation. Certain employees of Southport Capital may also be insurance agents of LRRM. As such, these individuals will be able to effect insurance transactions and will receive commissions or other compensation accordingly. No Southport Capital client is obligated to use LRRM for insurance services and conversely, no LRRM client is obligated to use the advisory services provided by Southport Capital.

### ***Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

#### Code of Ethics and Personal Trading

Southport Capital has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Southport Capital's Code has several goals. First, the Code is designed to assist Southport Capital in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Southport Capital owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Southport Capital (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Southport Capital's associated persons. Under the Code's Professional Standards, Southport Capital expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Southport Capital associated persons are not to take inappropriate advantage of their positions in relation to Southport Capital clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, Southport Capital's associated persons may invest in the same securities recommended to clients. Under its Code, Southport Capital has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

As outlined above, Southport Capital has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, Southport Capital's goal is to place client interests first.

Consistent with the foregoing, Southport Capital maintains policies regarding participation in initial public offerings (IPOs) and private placements to comply with applicable laws and avoid conflicts with client transactions. If a Southport Capital associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Southport Capital's written policy.

## ***Item 12 - Brokerage Practices***

### **Best Execution and Benefits of Brokerage Selection**

When given discretion to select the brokerage firm that will execute orders in client accounts, Southport Capital seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Southport Capital may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of Southport Capital's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

Southport Capital participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Southport Capital also participates in the programs offered by Oppenheimer and Company and certain other broker-dealers. (TD Ameritrade, Oppenheimer and Company and Southport Capital's other recommended broker-dealers are hereinafter collectively referred to as the "Custodians" and their institutional advisory programs collectively referred to as the "Programs.") The Programs include such services as custody of securities, trade execution, clearance and settlement of transactions. Southport Capital receives some benefits from the Custodians through its participation in the Programs.

Southport Capital may recommend the Custodians to clients for custody and brokerage services. While there is no direct link between Southport Capital's participation in the Programs and the investment advice it gives to its clients, through its participation in the Programs Southport Capital receives economic benefits that are typically not available to the Custodians' retail investors. These benefits generally include, without limitation, the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Program participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Southport Capital by third party vendors. The Custodians may also pay for business consulting and professional services received by Southport Capital's related persons. These services are not soft dollar arrangements, but are part of the institutional platforms offered by the Custodians.

Some of the products and services made available by the Custodians through the Programs may benefit Southport Capital but may not directly benefit its client accounts. These products or services may assist Southport Capital in managing and administering client accounts, including accounts not maintained at the Custodians. Other services made available by the Custodians are

intended to help Southport Capital manage and further develop its business enterprise. The benefits received by Southport Capital or its personnel through participation in the Programs do not depend on the amount of brokerage transactions directed to the Custodians. As part of its fiduciary duties to clients, Southport Capital endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Southport Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Southport Capital's choice of the Custodians for custody and brokerage services.

#### Soft Dollars

Generally, in addition to a broker's ability to provide "best execution," Southport Capital may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. The provision of these added benefits may be based in whole or in part on the value of Southport Capital's assets under management held at TD Ameritrade, on the brokerage revenue to TD Ameritrade generated by Southport Capital's activities, or on a combination of these two factors. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to Southport Capital, and because the "soft dollars" used to acquire them are client assets, Southport Capital could be considered to have a conflict of interest in allocating client brokerage business. In this way, Southport Capital could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation Southport Capital might otherwise be able to negotiate. In addition, Southport Capital could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal to generate brokerage compensation with which to acquire products and services.

Southport Capital's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), Southport Capital will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, Southport Capital generally determines, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, Southport Capital typically considers not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in Southport Capital's performance of its overall responsibilities to all of its clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

The products and services Southport Capital receives from broker-dealers will generally be used in servicing all Southport Capital client accounts. Southport Capital's use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. In addition, soft dollar benefits may not be allocated to accounts proportionately according to the soft dollar credits the accounts generate.



### Directed Brokerage

Clients may direct Southport Capital to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangements that Southport Capital has with the Custodians are designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing Southport Capital to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with Southport Capital that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### Aggregated Trade Policy

Southport Capital may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows Southport Capital to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

Southport Capital will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of Southport Capital's Investment Advisory Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Southport Capital's transactions in a given security on a given business day, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

Southport Capital will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate

the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of Southport Capital. Southport Capital's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and Southport Capital will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

#### Trade Errors

When Southport Capital causes a trade error, it takes prompt action to resolve the error with the objective to return the client's account to the position that it would have been if there had been no error. Southport Capital pays to correct an error and reimburses a client for any loss resulting from the error. Clients do not retain any gains resulting from the correction of a trade error. At the end of each day, any net gains from trade corrections will be swept to a specially designated account by the account custodian and will subsequently be distributed to charity.

#### ***Item 13 - Review of Accounts***

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by Southport Capital. These factors may include, but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. All Portfolio Managers review accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, Southport Capital provides at least a quarterly report for each managed portfolio. This written report normally includes a summary of portfolio holdings and performance results. Additional reports are available at the request of the client.

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

As noted above, Southport Capital may receive an economic benefit from TD Ameritrade and other custodians in the form of support products and services it makes available to Southport Capital and other independent investment advisors that have their clients maintain accounts at the Custodians. These products and services, how they benefit our firm, and the related conflicts of interest are described in ***Item 12 - Brokerage Practices***. The availability of Custodians' products and services to Southport Capital is based solely on our participation in the programs and not in the provision of any particular investment advice.

From time to time, Southport Capital may enter into arrangements with third parties (“Solicitors”) to identify and refer potential clients to Southport Capital. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, Southport Capital enters into written agreements with Solicitors under which, among other things, Solicitors are required to disclose their compensation arrangements to prospective clients before such clients enter into an agreement with Southport Capital.

#### ***Item 15 - Custody***

It is the custodian’s responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify Southport Capital of any questions or concerns. Clients are also asked to promptly notify Southport Capital if the custodian fails to provide statements on each account held.

From time to time, Southport Capital will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

#### ***Item 16 - Investment Discretion***

As described above under ***Item 4 - Advisory Business***, Southport Capital manages portfolios on a discretionary basis. This means that after an Investment Plan is developed for the client’s investment portfolio, Southport Capital will execute that plan without specific consent from the client for each transaction. For discretionary accounts, a Limited Power of Attorney (“LPOA”) is executed by the client, giving Southport Capital the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. Southport Capital then directs investment of the client’s portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client’s investment advisory agreement with Southport Capital and the requirements of the client’s custodian. The discretionary relationship is further described in the agreement between Southport Capital and the client.

#### ***Item 17 - Voting Client Securities***

##### Proxy Voting

With respect to securities selected on behalf of the client in a managed account or recommended to a client, Southport Capital may vote proxies where required under client agreements. Southport Capital will vote proxies in such a way that, to the best of Southport Capital’s knowledge, is in the best interest of each individual shareholder. From time to time, this may mean that the same proxy proposal may be voted differently for different Clients. Southport Capital will consider only those factors that relate to the Client’s investment(s) or factors that are set forth in written instructions from the Client.

Southport has elected to utilize the services of Broadridge Financial Solutions, Inc. (“Broadridge”), a Voting Agent Service, to handle day-to-day functions relating to proxy voting, utilizing the voting methodology of Glass, Lewis & Co., LLC. This approach to enhancing overall corporate value through effective proxy voting relies on third party analysis and recommendations that are developed on an issue-by-company basis, rather than an issue-by-issue basis.

Issue-by-issue analysis assumes that a specific set of corporate governance initiatives is, or is not, inherently beneficial to shareholders and that a specific recommendation for a particular issue should be applied across-the-board to the voting of all corporations' proxies. This one-size-fits-all approach, however, frequently results in a lack of focus on issues that genuinely impact long-term shareholder value and, as a result, disadvantages shareholders.

By comparison, the issue-by-company approach views proxy issues in the context of company-specific metrics, taking into account a variety of relevant factors. Southport has embraced the Glass, Lewis & Co., LLC methodology and approach to this important process.

A copy of Southport Capital's complete policy, as well as records of proxies voted, is available to Clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

#### Class Action Suits

Southport Capital has also arranged for Broadridge to provide class action litigation monitoring and securities claim filing administration for client accounts that choose to participate in this service. For this service, Broadridge charges a contingency fee of 20% of the amount of each claim settlement award, which is deducted from the client's award at the time of payment. There are no minimum fees or other fees deducted from an account related to this service. Regardless of whether a client chooses to utilize the services of Broadridge, Southport Capital does not monitor or file claims on a client's behalf.

#### ***Item 18 - Financial Information***

Southport Capital does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.