

## **Posey Capital Management, Inc.**

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### **FORM ADV PART 2A BROCHURE**

January 9, 2015

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This brochure provides information about the qualifications and business practices of Posey Capital. If you have any questions about the contents of this brochure, please contact us at 713-490-7000. 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 Posey Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Posey Capital is 122405.

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

## Table of Contents

Advisory Business.....	2
Fees and Compensation .....	4
Performance-Based Fees and Side-By-Side Management .....	5
Types of Clients .....	5
Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Disciplinary Information.....	6
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	6
Brokerage Practices.....	6
Review of Accounts .....	7
Client Referrals and Other Compensation.....	7
Custody.....	7
Investment Discretion.....	7
Voting Client Securities .....	7
Financial Information.....	8
Requirements for State-Registered Advisers .....	8
Additional Information .....	8
Business Continuity and Disaster Recovery Plan.....	8

**Advisory Business**  
Form ADV Part 2A, Item 4

**A.** Posey Capital's registration was granted by the Texas Securities Board on October 17, 2002 and by the U.S. Securities and Exchange Commission on June 21, 2010. Thomas L. Posey (CRD No. 3008527) is President and chief compliance officer of the firm and owns two-thirds of the firm. Jeff W. Eschman (CRD #5260010) is Vice President and Director of Planning and owns one-third of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries which have any ownership interest in the firm.

**B. Advisory Services**

Posey Capital Management Inc. offers personalized portfolio management and financial planning services to individuals, trusts, estates, charitable organizations, corporations, and other business entities. The firm's services and fee arrangements are described in the following pages.

Posey Capital Management is a corporation formed under the laws of the State of Texas. This narrative provides clients with information about the firm, its qualifications and business practices, and the nature of the advisory services offered by the firm. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, the State of Texas or any other State securities authority.

Please contact Thomas L. Posey, President, or Jeff W. Eschman, Vice President and Director of Planning, if you have any questions about this narrative. Additional information about Posey Capital Management is available on the Internet at [www.poseycapital.com](http://www.poseycapital.com). In addition, the Securities and Exchange Commission's Web site offers information about registered investment advisors at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the SEC site by a unique identifying number, known as a CRD number. The CRD number for Posey Capital Management is 122405.

Portfolio Management Services

Posey Capital Management offers portfolio management services in which the investment advice provided is custom-tailored to meet the needs and investment objectives of the client. Subject to any written guidelines that the client may provide, the firm may be granted discretionary authority to manage the account. Accordingly, Posey Capital Management is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. Once the portfolio is constructed, Posey Capital Management provides ongoing supervision of the portfolio.

At its discretion, the firm may allow accounts of members of the same household to be aggregated for purposes of determining the advisory fee. Posey Capital Management may allow such aggregation, for example, where the firm services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse, and certain other types of related accounts. This consolidation practice is designed to allow clients the benefit of an increased asset base which could potentially enable the accounts to be assessed a reduced advisory fee based on the larger asset base.

Qualified Independent Custodian

Posey Capital Management never has custody of any client funds or securities. The services of a qualified independent third-party custodian who reports directly to the client are utilized for all

portfolio management accounts. The custodian sends transaction confirmations and monthly or quarterly statements directly to the client on all client accounts.

Currently Fidelity Investments is the custodian for most client accounts. In business since 1946, Fidelity Investments is one of the largest account custodians in the world with well over \$1 trillion in assets custodied.

The independent third-party custodian relationship is strictly between the client and the custodian. Generally, the Securities Investor Protection Corporation (SIPC) and certain private insurance provided by Fidelity Investments are available to protect most client accounts with the custodian. Nevertheless, if the custodian were to become financially insolvent the client would be subject to risk of loss. For information about steps Fidelity Investments takes to enhance the security of client accounts, see <http://personal.fidelity.com/global/content/protecting-our-clients-asset-is-our-priority.shtml>.

While Posey Capital believes that Fidelity is strong, financially solvent, and able to honor its commitments to its clients, Posey Capital does not guarantee Fidelity's financial situation or its ability to honor its commitments to its clients. The custodial relationship is between the client and Fidelity.

As a rule of thumb, the minimum amount under management for a new client relationship is \$5,000,000. Sometimes the firm makes exceptions.

#### Financial Planning Services

Financial planning typically involves providing a variety of services, principally advisory in nature, to clients regarding the management of their financial resources based upon an analysis of their individual needs. The topics frequently covered include retirement planning, investment advice on asset allocation and investment selections, insurance planning, tax planning, planning for children's and grandchildren's educations, gifting programs, wealth transfer planning, business succession planning and estate planning. Financial planning services may include consultations and/or written plans that analyze a client's financial situation and make appropriate recommendations for strategies. Assistance with implementing the strategies may be provided as well.

Some clients may only require advice on a single aspect of the management of their financial resources. For these clients, Posey Capital Management may offer consulting services that address only those specific areas of concern.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to Posey Capital Management. The client is responsible for providing complete and accurate information about his or her financial situation and circumstances. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. **Past performance is in no way an indication of future performance. Posey Capital Management cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the client must notify Posey Capital Management promptly.**

#### Insurance

If the firm's analysis indicates that the client should consider insurance, the firm may recommend an insurance agent based on the agent's costs, reputation, dependability and compatibility with the client, and may assist the client with obtaining the insurance.

Posey Capital Management does not accept insurance commissions or referral fees in connection with any insurance that may be purchased by the client. Posey Capital Management is not related to any insurance company or agent. Posey Capital Management does not guarantee the products or services of any insurance company or agent.

#### Wills and Other Legal Documents

Thomas L. Posey, President, is an attorney and a member in good standing of the State Bar of Texas, but he does not practice law. At the client's request, the firm may recommend an attorney based on the attorney's costs, reputation, dependability and compatibility with the client.

Posey Capital Management does not accept legal fees or referral fees from any legal referral. Posey Capital Management is not related to any attorney or law firm. Posey Capital Management does not guarantee the work of any attorney or law firm.

#### Termination

The client may terminate the financial planning and portfolio management agreement within five days of the date of acceptance without penalty to the client. However, the client will incur a pro rata charge for bona fide financial planning and/or consulting services rendered prior to such termination. After the five-day period, either party may terminate the agreement by providing written notice to the other party. If there are any prepaid unearned fees, Posey Capital Management will promptly refund the unearned fees to the client. Any portfolio management fee that has been earned for the current quarter will be pro-rated for the portion of the quarter in which the assets were managed before the cancellation notice was received.

**C.** The firm tailors its advisory services to the individualized needs of its clients. Reviews are offered, typically annually, but more often if needed. Advisory clients may impose restrictions on their accounts.

**D.** The firm does not participate in any wrap fee programs.

**E.** The firm manages about 300 accounts.

### **Fees and Compensation**

Form ADV Part 2A, Item 5

#### Portfolio Management Fees

The fee for portfolio management services is billed quarterly at the end of each quarter. Quarterly fees are assessed in arrears or in advance, on a pro rata basis if the portfolio management service begins at any time other than the first day of a calendar quarter. Fees are calculated by our staff and randomly spot-checked by a third party the firm engages for this purpose. Posey Capital Management invoices the client directly for portfolio management services or, with client consent, fees may be paid on the client's behalf by the qualified independent custodian holding the client's funds and securities and deducted from the client's account. The portfolio management fee is based on a percentage of the assets under management and typically ranges from 0.5% to 2% per year, depending on the size and complexity of the client's account.

### Financial Planning Fees

Typically, Posey Capital Management provides financial planning services only to portfolio management clients. A negotiable fixed fee may be paid in advance before the financial planning begins. In unusual cases, Posey Capital Management may provide financial planning services for a negotiable hourly fee or fixed fee.

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

Form ADV Part 2A, Item 6

Not applicable.

### **Types of Clients**

Form ADV Part 2A, Item 7

Types of clients include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or other business entities.

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

Form ADV Part 2A, Item 8

The method of securities analysis employed by the firm is fundamental analysis. The firm does not predict market timing.

Posey Capital Management does not represent, warrant, guarantee or imply that the services or methods of analysis employed by the firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Past performance is no guarantee of future performance. Market values of investments will always fluctuate based on market conditions.

Advice offered by Posey Capital Management may involve investments in mutual funds. Clients are advised that all fees paid to Posey Capital Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund fees will generally include a fund management fee and other fund expenses. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site. At the client's request at any time Posey Capital Management will direct the client to the appropriate Web page to access the prospectus.

In addition, the custodian may charge the client a brokerage fee to purchase or sell securities. Generally the brokerage fee charged to clients by Fidelity Investments is \$45 per mutual fund purchase transaction and \$25 per mutual fund sell transaction. Posey Capital Management does not share in any brokerage fee that may be charged by the custodian.

The client should review all fees charged by mutual funds, Posey Capital Management, and the custodian to fully understand the total amount of fees to be paid by the client.

**Disciplinary Information**  
Form ADV Part 2A, Item 9

Not applicable.

**Other Financial Industry Activities and Affiliations**  
Form ADV Part 2A, Item 10

Not applicable.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**  
Form ADV Part 2A, Item 11

The firm has adopted a written Code of Ethics in accordance with SEC Rule 204A-1. This Code of Ethics discusses the required professional behavior imposed by the firm upon all associated persons and access persons. The Code of Ethics also discusses the required protocol in relation to the trading of personal securities. The governing principle by which the firm conducts its business is that the firm is a fiduciary to its clients. As a fiduciary, the firm has a duty of care, loyalty, honesty, and good faith to its clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with a client.

A copy of the firm's Code of Ethics is available to clients and prospective clients upon request.

Posey Capital Management may recommend publicly-traded securities to its clients which employees of the firm own in their personal accounts. In order to prevent "front-running" and to avoid potential conflicts of interest, Posey Capital Management prohibits employees from conducting trades in their accounts when there is an open order pending for a client in the same security, unless the security is an open-end mutual fund, exchange-traded fund, or U.S. government debt obligation.

**Brokerage Practices**  
Form ADV Part 2A, Item 12

Posey Capital Management manages client accounts on a discretionary basis. The firm's and the custodian's policies and procedures both prohibit and prevent Posey Capital Management or its associates from withdrawing any assets from client accounts. The firm's discretionary transactions in client accounts are limited to general securities, mutual funds, options and government securities.

Suggestions of Broker

Those clients who ask Posey Capital Management to recommend a broker will receive a recommendation based on the broker's costs, skills, reputation, dependability and compatibility

with the client. Clients may be able to obtain lower commissions and fees from other brokers. The value of products, research and services provided to Posey Capital Management by the broker, if any, is not a factor in determining the selection of broker-dealers.

**Review of Accounts**  
Form ADV Part 2A, Item 13

The firm regularly reviews and, if appropriate, rebalances client accounts. While the firm encourages annual financial plan updates, clients may defer their updates until they feel they have a need to meet. In order to avoid unnecessary transaction costs and income taxes, the firm rebalances to the target asset allocation only if necessary, in the firm's judgment, to meaningfully reduce risk or enhance return. In some circumstances, the firm will perform a special review of an account. Events that may trigger a special review include a client request, or receipt of information from the client of a substantial change in the client's financial circumstances or investment objectives. The firm will analyze the account and generate trades where appropriate.

The firm prepares quarterly reports for its clients showing their account balances and certain other information. In addition, clients receive monthly or quarterly statements and/or annual and semi-annual mutual fund reports from their custodians, mutual funds and other money managers, as appropriate.

**Client Referrals and Other Compensation**  
Form ADV Part 2A, Item 14

Not applicable.

**Custody**  
Form ADV Part 2A, Item 15

Not applicable.

**Investment Discretion**  
Form ADV Part 2A, Item 16

The firm engages in discretionary management activities on behalf of advisory clients. Please see item four (4), above.

**Voting Client Securities**  
Form ADV Part 2A, Item 17

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



### **Financial Information**

Form ADV Part 2A, Item 18

The firm does not charge any fees more than six months in advance, so no financial information is required to be included in this narrative.

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

Form ADV Part 2A, Item 19

The firm's principal executive officer and other management persons, and a description of their formal educations and business backgrounds, is provided elsewhere in this Form ADV Part 2. The firm is not engaged in any business other than giving investment advice and providing personal financial planning services. The firm is not compensated with performance-based fees. The firm has no relationship or arrangement by which it or the principal executive officer or any management person is compensated by any issuer of securities.

### **Additional Information**

Posey Capital Management is entirely independent, does not share in any fees or commissions charged by any mutual fund, insurance company, broker or custodian, and does not accept compensation from any mutual fund, insurance company, broker or custodian.

Currently Fidelity Investments is the qualified independent third-party custodian for most client accounts. In business since 1946, Fidelity Investments is one of the largest account custodians in the world with well over \$1 trillion in assets custodied.

The independent third-party custodian relationship is strictly between the client and the custodian. Generally, the Securities Investor Protection Corporation (SIPC) and certain private insurance provided by Fidelity Investments are available to protect most client accounts with the custodian. Nevertheless, if the custodian were to become financially insolvent the client would be subject to risk of loss. For information about steps Fidelity Investments takes to enhance the security of client accounts, see <http://personal.fidelity.com/global/content/protecting-our-clients-asset-is-our-priority.shtml>.

While Posey Capital Management believes that Fidelity is strong, financially solvent, and able to honor its commitments to its clients, Posey Capital Management cannot and does not guarantee Fidelity's financial situation or its ability to honor its commitments to its clients.

### **Business Continuity and Disaster Recovery Plan**

The firm has adopted a *Business Continuity and Disaster Recovery Plan*, and will provide a copy to any client or prospective client upon request.

**Thomas L. Posey  
Jeffrey W. Eschman  
Pamela A. Rowe  
Emily P. Allen**

**Posey Capital Management, Inc.**

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**FORM ADV PART 2B  
BROCHURE SUPPLEMENT**

January 9, 2015

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This brochure supplement provides information about Thomas L. Posey and Jeffrey W. Eschman that supplements the Posey Capital brochure. You should have received a copy of that brochure. Please contact Thomas L. Posey, Chief Compliance Officer if you did not receive Posey Capital's brochure or if you have any questions about the contents of this supplement. Additional information about the individuals described herein is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Table of Contents**

Educational Background and Business Experience ..... 2

Disciplinary Information ..... 3

Other Business Activities ..... 3

Additional Compensation ..... 4

Supervision ..... 4

Requirements for State-Registered Advisers ..... 4

**Educational Background and Business Experience**  
Form ADV Part 2B, Item 2

**Thomas Lawson Posey**

**Year of Birth:** 1957

**Formal Education:**

B.A., Business Administration, Trinity University, 1979

B.A., Psychology, Trinity University, 1979

J.D., University of Texas at Austin, 1992

**Honors:**

Teaching Quizmaster, 1990-91

Board of Advocates, 1991-92

Champion, National Moot Court Competition, Region 10, 1991

Best Brief Award; Lewis F. Powell Award for Excellence in Advocacy Champion, Hutcheson Moot Court Competition, 1990

Accredited Asset Management Specialist (AAMS), 2001

Certified Financial Planner (CFP®), 2002

**Business Background for the Previous Five Years:**

Former Faculty, Rice University School of Continuing Studies, Certified Financial Planner Certification Education Program, 2004-07

Posey Capital Management Inc., President, August 2002 to present

Wealth Development Strategies, a securities broker-dealer, registered representative, 2000-2002

Practice of Law, 1992-2000

Law School (University of Texas), 1989-92

Chief Financial Officer of international manufacturing company, 1979-89

Tom Posey is president and chief compliance officer, and owns two-thirds of the firm.

**Jeff W. Eschman**

**Year of Birth:** 1968

**Formal Education:**

B.S., Mechanical Engineering, University of Texas at Austin, 1990

Licensed Professional Engineer (currently inactive), 1995

Certified Financial Planner Certification Education Program, Rice University SCS, 2006

Certified Financial Planner (CFP®), 2010

**Business Background for the Previous Five Years:**

Posey Capital Management Inc., Vice President and Director of Planning, March 2009 to present

Brazos Financial Advisors, LLC, President, 2006 to February 2009

Marathon Oil Company, Gulf of Mexico Projects Manager, 2006

Marathon Oil Company, Engineering Manager, 2004-06

Marathon Ashland Petroleum Company, Senior Engineer, 2002-04

Jeff Eschman is Vice President and Director of Planning and owns one-third of the firm.

**Emily P. Allen**

**Year of Birth:** 1982

**Formal Education:**

B.A., Economics and Finance, University of Texas at Dallas, 2007  
Executive Certificate in Financial Planning at Northwestern University's School of Continuing Studies, 2013  
Certified Financial Planner (CFP®), 2014

**Business Background for the Previous Five Years:**

Posey Capital Management Inc., 2011 to present  
Brennan Financial Services, Client Relationship Manager, 2010 to 2011  
Oppenheimer & Co., Client Advisor, 2009 to 2010  
Emily Allen is a client relationship manager for Posey Capital Management.

**Pamela A. Rowe**

**Year of Birth:** 1953

**Formal Education:**

B.A., Political Economy, Randolph-Macon Woman's College, 1975  
Certified Financial Planner Certification Education Program, Rice University SCS, 2006  
Certified Financial Planner (CFP®), 2008

**Business Background for the Previous Five Years:**

Posey Capital Management Inc., Client Relationship Manager, April 2012 to present  
Wells Fargo Bank, Vice President and Financial Planner, The Private Bank, 2010 to November 2011  
Pam Rowe is a client relationship manager for Posey Capital Management.

**Disciplinary Information**  
Form ADV Part 2B, Item 3

Not applicable.

**Other Business Activities**  
Form ADV Part 2B, Item 4

Not applicable.

**Additional Compensation**  
Form ADV Part 2B, Item 5

Not applicable.

**Supervision**  
Form ADV Part 2B, Item 6

Mr. Posey, as chief compliance officer of the firm, supervises Mr. Eschman.

**Requirements for State-Registered Advisers**  
Form ADV Part 2B, Item 6

Not applicable.