



## Firm Brochure - Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of CapAcuity LLC ("Adviser" or "CapAcuity"). If you have any questions about the contents of this brochure, please contact us at (407) 949-6889 or by email [info@capacuity.com](mailto:info@capacuity.com). 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.

The Adviser is registered with the SEC as an investment adviser. The Adviser's registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information for you to use to evaluate CapAcuity and should be considered in your decision whether to hire the Adviser or to continue to maintain a relationship.

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

## Item 2: Material Changes

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The following material changes have been made since the Adviser's last update to Part 2A, filed on January 16, 2019:

- Item 4 has been updated to reflect updated assets under management as of December 2018.
- Item 8 has been updated to provide additional information and disclosure regarding certain risks.
- Item 13 has been updated to include additional information regarding the Investment Committee.

You may request the most recent version of Adviser's Part 2B brochure by contacting Adviser at (407) 949-6889 or by emailing [info@capacuity.com](mailto:info@capacuity.com).

The Adviser may, at any time, update this Part 2A Brochure, and either send you a copy or offer to send you a copy by email or in hardcopy form.

CapAcuity encourages everyone to read this brochure in its entirety.

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#### **Item 4: Advisory Business**

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CapAcuity LLC (hereinafter “CapAcuity”) is a limited liability company organized in the state of Florida. The firm was formed in December 2017 and became registered with the SEC in 2018. The principal owner is Peter S. Cahall.

##### ***Investment Advisory and Consulting***

CapAcuity provides investment advisory and consulting services to institutions, specifically, those institutions include corporations, non-qualified deferred compensation plans and other businesses. CapAcuity provides non-discretionary investment advisory and consulting services to institutions and advises corporations and compensation plans on the creation of an Investment Policy Statement (IPS), which outlines the client’s current situation (including, but not limited to, investment objectives, benefit plan liabilities, taxes (or tax exposure), fund expenses, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client’s specific situation. CapAcuity also evaluates the current investments of each client with respect to the client’s IPS. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring
- Tax efficiency
- Expense efficiency

CapAcuity seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its clients and without consideration of CapAcuity’s economic, investment or other financial interests. To meet its fiduciary obligations.

##### ***Pension Consulting Services***

CapAcuity offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) and Non-Qualified Executive Benefit plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending investment or fund managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of investment or fund managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, record keepers, administrators, insurance carriers and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, benefit liabilities, time horizon, and/or risk tolerance of the plan and its participants.

CapAcuity generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), insurance products including variable universal life insurance and annuities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and

private placement variable life insurance. CapAcuity may recommend other securities including Total Return Swaps to hedge Non-Qualified Executive Benefit Plan liabilities when applicable.

CapAcuity will tailor a program for each individual client, which will be commemorated in the IPS. CapAcuity may use model allocations together with a specific set of recommendations for each client based on their IPS. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their IPS. However, if the restrictions prevent CapAcuity from properly servicing the client account, or if the restrictions would require CapAcuity to deviate from its standard suite of services, CapAcuity reserves the right to end the relationship.

The majority of CapAcuity's clients are corporate plan sponsors of Non-Qualified Executive Retirement and other benefit plans. As such, CapAcuity's typical investment advisory activities are to develop plan participant investment menus and construct portfolios that are designed to hedge participant liabilities of those plans. In constructing portfolios, CapAcuity will take into consideration risk tolerance, performance, expenses, correlation and tax efficiency.

We do not participate in wrap fee programs.

We manage approximately \$285 million on a non-discretionary basis as of December 31, 2018.

## **Item 5: Fees and Compensation**

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### ***Investment Advisory and Consulting Fees and Pension Consulting Fees***

<b>Total Assets Under Management</b>	<b>Annual Fees</b>
\$10,000,000 - \$25,000,000	0.35%
\$25,000,000 - \$50,000,000	0.30%
\$50,000,000 - and up	0.25%

### ***Fixed Fees***

Generally, the fee for creating pension consulting plans is between \$25,000 and \$500,000. The final fee schedule will be memorialized in the client's advisory agreement. Generally, clients may terminate the advisory agreement with a 30-day written notice, subject to the termination provision in the agreement, as negotiated on a client by client basis.

### ***General Information on Fees***

Although we have established the fee ranges for the services referenced above, we retain the right to negotiate or waive fees on a client-by-client basis in the future.

CapAcuity uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based. Asset-based portfolio management fees will be invoiced and billed directly to the client, on a quarterly basis. Asset-based pension consulting fees will be invoiced and billed directly to the client on a quarterly basis. Fixed

pension consulting fees are paid in advance and/or upon completion of a specific project.

Subject to the advisory agreement, a client may terminate its advisory relationship pursuant to the terms in the advisory agreement and if work terminates during a calendar billing cycle, then CapAcuity will promptly refund any unearned prepayments.

All fees and compensation are negotiated in advance of any work done and memorialized in the advisory agreement with each respective client. Clients are generally billed for and pay fees directly, typically quarterly, for which CapAcuity has provided advisory services. Fees can be payable and billed in advance, in arrears, or upon completion of a project. Other client-specific arrangements are negotiable, depending on specific client circumstances. Upon termination of any account, any prepaid, unearned fees will be promptly refunded to the client, and any earned, unpaid fees will be due and payable. Such fees are prorated based on the number of days left in the billing or project period.

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CapAcuity. Please see Item 12 of this brochure regarding broker-dealer/custodian.

Client may prepay fees in advance. However, under no circumstances does CapAcuity require payment of fees in excess of \$1,200 more than six months in advance of services rendered.

A number of CapAcuity associates are also affiliated with CapAcuity Securities, Inc. In their affiliation with CapAcuity those associates may accept compensation for the sale of investment products to CapAcuity clients. Associates may accept compensation from sales charges or service fees for the sale of investments and variable insurance products to CapAcuity's clients. CapAcuity mitigates any conflicts, by crediting client accounts to offset fees if compensation is paid to any representative based on services provided in their registered representative capacity. CapAcuity will document any conflict of interest in the client file and inform the client of the conflict of interest. Advisory fees that are charged to clients are reduced and offset by the commissions or markups on investment products recommended to clients.

Clients always have the option to purchase CapAcuity recommended products through other brokers or agents that are not affiliated with CapAcuity.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

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CapAcuity does not currently charge performance-based fees or fees based on a share of capital gains or capital appreciation of client assets.

## **Item 7: Types of Clients**

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CapAcuity generally provides advisory services to the following types of clients:

- Non-Qualified Executive Benefit Plans – Defined Contribution and Defined Benefit Supplemental Executive Retirement Plans (SERPs)
- Qualified Retirement Plans, Pension, and Profit-Sharing Plans

- Corporations or Business Entities

There is an account minimum of \$10,000,000, which may be waived by CapAcuity in its discretion.

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

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

CapAcuity's methods of analysis include Modern Portfolio Theory and Quantitative analysis:

- **Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.
- **Quantitative analysis** deals with measurable factors such as the value of assets, the cost of capital, historical projections of sales, and so on. Qualitative analysis considers qualitative considerations such as the quality and performance of management or the state of employee morale, employee turnover, competitive and market conditions etc.

### ***Investment Strategies***

CapAcuity's strategies are focused on long term funding/hedging of Non-Qualified Executive Benefit Plan liabilities and take into account: correlation to benefit liabilities, portfolio returns, fund expenses, and tax efficiency to optimize financial results for corporate clients across all these criteria.

### ***Material Risks***

- **Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.
- **Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

### ***Material Risks Related to Certain Securities***

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (except for Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

- **Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money

investing in mutual funds. All mutual funds have costs that lower investment returns. Mutual funds are available in a wide array of asset classes.

- **Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.
- **Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities. The fixed income market can be volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (which is unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.
- **Exchange Traded Funds (ETFs):** An ETF is an investment fund similar to a mutual fund but traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss.
- **Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.
- **Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be limited, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.
- **Risk of Loss.** Investments made based on investment advisory services from CapAcuity entails substantial risks. An investor relying on CapAcuity's advisory services may lose part of or all of an investment or the investment may not perform as well as other similar investments. Investments based on CapAcuity's investment advisory services should be viewed only as part of an overall investment program. No assurances can be given that CapAcuity's investment advisory services will be successful. The following is a summary description of the principal risks of investing. Any decisions to invest should take into account that CapAcuity may recommend a wide range of investments, that may be subject to a wide variety of related risks, which can be substantial.

### ***General Risks***

- Please refer to the offering memorandum, prospectus and other supplement documents of the securities recommended by CapAcuity for the list of specific risk factors specific. There are a variety of risk factors each client must take into consideration, including, but not limited to, the risk factors listed herein.



- A client's portfolio is subject to normal market fluctuations and other risks inherent in investing in securities, commodities, and other financial instruments. These risks may include or relate to, among other things, equity market, bond market, foreign exchange, interest rate, credit, commodities, market volatility, political risks, and any combination of these and other risks. The value of investments and the income from them, and therefore the value of and income of the underlying investments ("third-party strategies") in the portfolio or plan, can go down as well as up, and an investor may not get back the amount invested. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of the investments to diminish or increase. An investment in a third-party strategy should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.
- Risks may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the third-party strategies. No assurance can be given as to the effect that any combination of risks may have on the value of the third-party strategies.
- General Economic and Market Conditions. The success of CapAcuity's investment advisory strategies will be affected by general economic and market conditions, such as:
  - Availability of credit
  - Credit defaults
  - Inflation rates
  - Economic uncertainty
  - Changes in laws
  - Trade barriers
  - Currency exchange controls
  - National and international political circumstances
- Cyber Security Risk. As the use of technology has become more prevalent in the course of business, investment accounts have become more susceptible to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional cyber events that may, among other things, cause an investment account to lose proprietary information, suffer data corruption and/or destruction or lose operational capacity, result in the unauthorized release or other misuse of confidential information, or otherwise disrupt normal business operations. Cyber security breaches may involve unauthorized access to an investment account's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches involving an investment account's third-party service providers (including but not limited to advisers, sub-advisers, administrators, transfer agents, custodians, distributors and other third parties), trading counterparties or issuers in which an investment account invests in can also subject to many of the same risks associated with direct cyber security breaches. Moreover, cyber security breaches involving trading counterparties or issuers in which an investment account invests could adversely impact such counterparties or issuers and cause an investment account's investment to lose value. Cyber security failures or breaches may result in financial losses to an investment account. These failures or breaches may also result in disruptions to business operations, potentially resulting in financial losses; impediments to trading; violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage; reimbursement or other compensation costs; additional compliance and cyber security risk management costs and other adverse consequences. CapAcuity has an established business continuity plan and risk management system designed to reduce the risks associated with cyber security breaches. However, there are inherent limitations to the plan and system, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee

that such efforts will succeed, especially because CapAcuity does not directly control the cyber security systems of issuers, trading counterparties, or third-party service providers. There is also a risk that cyber security breaches may not be detected.

- Because of the wide range of services offered by CapAcuity and its affiliates, it is possible that conflicts may arise. As CapAcuity manages our client relationships on a customized basis, there may be conflicting investment objectives and risk tolerances among CapAcuity clients invested in similar investment vehicles.

**Investors should be aware their investment is not guaranteed and understand that there is a risk of loss of value in their investment. Past performance is not indicative of future results.**

## **Item 9: Disciplinary Information**

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CapAcuity and its management personnel have no reportable disciplinary events to disclose.

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

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CapAcuity Securities Inc. (formerly known as Johnson Securities Inc.) is an affiliate of Adviser and a broker-dealer registered with the Securities and Exchange Commission and FINRA. Under its FINRA Membership Agreement, CapAcuity Securities Inc., is authorized to provide various broker-dealer services, including, variable life insurance sales. Certain officers and other employees or registered investment advisers of the Adviser are registered with CapAcuity Securities Inc. as registered representatives and as insurance agents or brokers.

Clients should be aware that certain broker-dealer and insurance activities pay commissions or other compensation and involve a potential conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. CapAcuity always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of CapAcuity in such individual's capacity as an independent licensed insurance agent.

Advisory fees that are charged to clients are reduced to offset the commissions or markups on investment products recommended to clients.

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

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As required by the Advisers Act, CapAcuity has a written Code of Ethics that governs a number of potential conflicts of interest that exist when providing advisory services, which include: the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. The Code of Ethics is designed to enable CapAcuity to meet its fiduciary obligations to clients, instill a culture of compliance within CapAcuity and prevent violations of securities laws. CapAcuity's Code of Ethics is available free upon request to any client or prospective client. The Code of Ethics is provided to employees at the time of hiring and annually thereafter. Employee activity is monitored on an ongoing basis, and employees are required to certify their compliance with the Code on an annual basis.

CapAcuity does not recommend that clients buy or sell any security in which a related person to CapAcuity or CapAcuity has a material financial interest.

#### **Item 12: Brokerage Practices**

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As a result of our business model, we do not receive soft dollars, we do not refer broker-dealers for a fee, and we do not require clients to execute trades through CapAcuity or its affiliates.

#### **Item 13: Review of Accounts**

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For our investment advisory clients, we will negotiate the nature and frequency of client reporting and account reviews with each client. Generally, accounts where advice is provided on an ongoing basis are reviewed at least quarterly by CapAcuity's Investment Committee with attention to the client's investment policy and overall objective. The Investment Committee consists of Mendel Melzer, Robert Little and Peter Cahall.

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situation (primarily changes to the participant liabilities that the account is attempting to hedge.)

Each client of CapAcuity's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. CapAcuity will provide at least quarterly a written report. The client will also receive a statement from the custodian.

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

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CapAcuity does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CapAcuity's clients.

CapAcuity may enter into written arrangements with third parties to act as solicitors for CapAcuity's investment advisory and consulting services. Solicitor relationships will be fully disclosed to each Client to the extent required by applicable law. CapAcuity will ensure each solicitor is exempt, notice filed, or properly registered in all appropriate jurisdictions. All such referral activities will be conducted in accordance with Rule 206(4)-3 under the Advisers Act, where applicable.

#### **Item 15: Custody**

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CapAcuity does not have physical custody of client assets; all assets are held by third-party qualified custodians. Clients will receive periodic asset statements from the qualified custodian. CapAcuity urges clients to carefully review custodial statements and to compare the performance reports that CapAcuity provides to clients to the official custodial records, noting some variations may be due to asset reporting dates, accounting procedures or valuation methodologies.

#### **Item 16: Investment Discretion**

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CapAcuity provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, CapAcuity generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, CapAcuity's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to CapAcuity).

**Item 17:        Voting Client Securities**

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CapAcuity does not have the authority to vote client proxies for and therefore it does not currently vote client proxies.

**Item 18:        Financial Information**

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CapAcuity neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance. Neither CapAcuity nor its management has any financial condition that is likely to reasonably impair CapAcuity's ability to meet contractual commitments to clients. CapAcuity has not been the subject of a bankruptcy petition in the past ten years.



