



**Cape Investment Advisory, Inc.**  
**An SEC Registered Investment Adviser**  
**ADV 2A Disclosure Brochure**

**April 29, 2024**

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This brochure provides information about the qualifications and business practices of Cape Investment Advisory, Inc. If you have any questions about the contents of this brochure, please contact us at (678) 583-1120 or [RIACompliance@capesecurities.com](mailto:RIACompliance@capesecurities.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.

Additional information about Cape Investment Advisory, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Being registered as an SEC Registered Investment Advisor does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

The changes below reflect material changes made since the April 3<sup>rd</sup>, 2023, annual update to the brochure.

### Item 3:

#### Table of Contents

Item Number	Item Page
1	Cover Page..... 1
2	Material Changes ..... 2
3	Table of Contents..... 3
4	Advisory Business ..... 4
5	Fees and Compensation..... 7
6	Performance-Based Fees and Side-By-Side Management ..... 10
7	Type of Clients..... 10
8	Methods of Analysis, Investment Strategies and Risk of Loss ..... 10
9	Disciplinary Actions . . . . . 11
10	Other Financial Industry Activities and Affiliations ..... 12
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... 13
12	Brokerage Practices..... 13
13	Review of Accounts ..... 14
14	Client Referrals and Other Compensation ..... 15
15	Custody ..... 15
16	Investment Discretion ..... 16
17	Voting Client Securities ..... 16
18	Financial Information..... 16

## **Item 4: Advisory Business**

### **Firm Description**

Cape Investment Advisory, Inc. ("CIA" or "Advisor" or "Sponsor"), solely owned by James R. Webb, is an SEC Registered Investment Adviser that has been in business since March 2008. CIA has filed notices in 34 States and provides investment management and financial planning services primarily to individuals, trusts, and corporations. CIA offers investment management services on both a discretionary and non-discretionary basis. As of December 31, 2023, the amount of discretionary assets under management was approximately \$314,347,563 and non-discretionary assets under management was approximately \$50,864,460.78.

Our business model is based on a network of Investment Adviser Representatives ("IARs") with offices in various locations each having significant flexibility to provide tailored individualized investment advice to clients. While all Cape IARs are registered with, and subject to oversight and supervision by Cape, they operate their businesses independently with some offices working under and providing client services utilizing a separate business name or "DBA." A list of approved DBA names can be found on our Schedule D, Section 1.B which is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CIA offers and provides a combination of the following advisory services for individuals, businesses, qualified retirement plans, individual retirement accounts, trusts, and other entities on a fee-only basis.

- Discretionary investment management
- Nondiscretionary investment management
- Financial planning services
- Retirement plan advisory services

Note that 401(k) Counseling Services are provided using the information and education exception which does not constitute providing investment advice. As such, those assets are not included as assets under management, but represent a significant revenue stream for the entity.

The process begins through personal discussions between the Investment Adviser Representative ("IAR") and the client. This interview establishes investment goals, determines suitability, and gathers information pertaining to the client's financial situation, objectives, time horizon and risk tolerance. This information becomes the basis for determining and constructing the investment plan/asset allocation plan which the IAR believes is in the best interest of the client's stated goals.

The investment plan will contain assets in classes that CIA and the IAR believe meets client's investment objectives. CIA also offers clients the opportunity to utilize the services provided by third party money managers.

### **Discretionary Investment Management**

We provide discretionary portfolio management services to clients using a variety of standard and customized investment strategies. Each portfolio is designed to meet a particular investment objective. As granted in our Advisory Agreement, we can use this discretionary authority to buy and sell securities on our clients' behalf.

### *Nondiscretionary Investment Management*

Clients may request that they be informed and agree with the trade recommendation(s) prior to it being entered by the IAR. Typically, this type of investment management is considered “fee in lieu of commission” and is similar to a traditional brokerage account except for how compensation is received. Clients may also occasionally request investments and trades in a discretionary account that are entered as unsolicited trades at the client’s request. In those circumstances the performance of the account may be impacted by such requests as well as impacting the risk and objectives of the account.

### *Financial Planning Services*

Financial planning services are provided to both individual and institutional clients. These plans may be comprehensive in nature or focus on specific areas of interest, at the request of the client. Throughout the time of engagement, clients are obligated to notify Advisor promptly if they experience a change in financial conditions in order to provide Advisor the opportunity to make changes in advice or strategies. CIA may offer an hourly rate for a limited plan related to a specific need such as estate planning only or college funding only.

The client may choose to implement any portion, or none of the plan, at their sole discretion. Advisor will not provide ongoing investment management under a Financial Planning Agreement; however, clients will be able to engage Advisor to conduct a review of investment accounts on a periodic or annual basis for an hourly rate.

CIA and its IARs do not practice law or accounting as officers, directors, managers, employees, or independent contractors of CIA. It is the client’s responsibility to understand the need to secure the services of other professionals in these areas when necessary.

### *Retirement Plan Advisory Services*

Investment advisory services provided to a company for their retirement plan vary depending on the scope of the agreement. The scope of the services provided are discussed and agreed upon at the time the agreement is signed, and typically include some or all of the following:

- Retirement Plan Investment Services
  - Advise the plan sponsors investment committee
  - Preparation of an Investment Policy Statement
  - Investment recommendations
  - Investment review and monitoring
  - Education services to the plan committee
- Plan Participant Services
  - Participant enrollment and education
  - One-on-one participant meetings
  - Development and communication of model portfolios
- Plan Design and Construction
  - Plan design consulting
  - Plan search coordination
  - Vendor Search
  - Provider review

Note that 401(k) Counseling Services are provided using the information and education exception which does not constitute providing investment advice. As such, a separate agreement must be obtained to document the services performed and the fee agreed. When engaged, these assets are not included as assets under management.

#### Broker Dealer Affiliation Disclosure

CIA is affiliated with Cape Securities, Inc (“CSI”), American Global Wealth Management (“AGWM”) and First Asset Financial, Inc. (“FAF”). It is common for a CIA representative to also serve as a registered representative for CSI and/or AGWM. Some registered representatives have insurance licenses and may recommend insurance products that pay commissions through these firms as well.

#### Investment Advisory Affiliation Disclosure

CIA is affiliated with Global Investment Advisory. CIA investment advisory representatives do not serve as investment advisory representatives for Global Investment Advisory at this time.

#### Third Party Asset Management

Advisor may recommend that clients engage certain Third-Party Asset Managers (“TPAM”) to manage all or a portion of their assets. Advisors will provide individualized advisory services to their clients through the selection of a suitable TPAM. Factors considered in the selection of a TPAM include, but may not be limited to:

- i) the management style, performance, reputation, pricing and reporting capabilities of the TPAM;
- ii) the client’s risk tolerance, goals and objectives, as well as investment experience; and,
- iii) the amount of client assets available for investment. To assist clients in the selection of a TPAM, the IAR will typically gather information from the client about the client’s financial situation, investment objectives, and reasonable restrictions the client wants imposed on the management of the account.

Advisor will review the client’s situation at least annually, or more often as needed or agreed upon with each client, to review the client’s financial situation and objectives, communicate information to the TPAM managing the account as warranted, and to assist the client in understanding and evaluating the services provided by the TPAM. Clients will be expected to notify their Advisor of any changes in their financial situation, investment objectives, risk tolerance, or account restrictions.

A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in:

- i) the TPAM’s Form ADV Part II;
- ii) the program wrap brochure (if applicable) or other applicable disclosure document(s);
- iii) the disclosure document(s) of the portfolio manager or managers selected; or,
- iv) the TPAM’s account opening documents.

A copy of all relevant disclosure documents of the TPAM and the individual portfolio manager(s) will be provided to anyone interested in these programs/managers. Programs include, but are not limited to:

- 401k Generation
- Alphastar Capital Management

- American Funds
- AssetMark
- Armis Advisers
- Auour Advisory
- Beacon Capital
- Betterment
- BTS Management
- Cardea Capital
- CLS
- Envestnet
- Flexible Plan Investments
- James Alpha
- Morningstar
- Nationwide
- Jackson National
- Midland
- Security Benefit Life
- Protective Life
- Orion
- Pacific-Life
- Lincoln Financial
- SEI
- 55IP

Fees generally include:

- i) Management and advisory fees shared by the TPAMs, CIA, and its IARs.
- ii) Transaction costs, if applicable, which may be paid to purchase and sell such securities; and
- iii) Custody fees

The amount and timing of these fees vary depending on the TPAM.

#### **Wrap Fee Program**

The client may elect to participate in a wrap fee account. The account will be managed similarly to non-wrap fee accounts. The primary difference between a wrap account and non-wrap account is in the manner that the account is billed to the client. In a wrap fee account, clients are billed one inclusive fee that includes the cost of the advisor fee, portfolio management fee, platform fee, ticket charges, some service fees, and postage and handling charges. In a non-wrap account, the foregoing charges are assessed as separate charges. Please see the separate Wrap Fee Brochure for more information.

**Please Note: When investing in mutual funds and variable annuities, clients are strongly encouraged to review the applicable prospectus. Mutual funds and variable annuities may impose additional fees as well as certain restrictions on the frequency, timing and dollar amount of transactions and may impose penalty fees based upon short-term trading patterns. Such restrictions may impact the services provided by a TPAM.**

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

### **GENERAL FEE INFORMATION**

Fees and compensation charged depend on the type and depth of services provided. All advisory services can be terminated within 5 days of signing the Advisory Agreement without penalty (full refund or no fees due) or when Advisor's Form ADV Part II is not delivered at least 48 hours prior

to the time of engagement. Otherwise, services can be terminated at any time with written notice.

Fees will be deducted directly from client assets and may be billed monthly or quarterly in arrears or in advance depending on the terms of the agreement. Fees are negotiable subject to the approval of CIA management.

#### i. Billing In Arrears

Most clients are billed in arrears. The first payment for billing in arrears is due the next quarter or month following the deposit into the account and will be based on the account value at that time. The fee will be assessed on a pro-rata basis calculated from the opening date of the account to the nearest quarter or month of the billing cycle. Thereafter, the fee will be based on the Account value on the last business day of the calendar month or quarter as applicable. Portfolio Adviser will be paid a portion of the fee collected by Cape in accordance with a written agreement between Portfolio Adviser and Cape. In the event the Client Advisory Services Agreement is terminated Client will be billed for any partial month or quarterly fee incurred on a pro-rata basis. IARs may liquidate assets to cover fees.

#### ii. Billing In Advance

The first payment for billing in advance is due immediately upon opening and funding the account, as specified in the Advisory Agreement. The fee will be assessed on a pro-rata basis calculated from the opening date of the account to the nearest month or quarter of the billing cycle. Thereafter, the fee will be based on the Account Value on the first business day of the calendar month or quarter. Portfolio Adviser will be paid a portion of the fee collected by Cape in accordance with the written agreement between Portfolio Adviser and Cape. In the event of termination of the Client Advisory Services Agreement, Client will be refunded fees on a pro-rata basis calculated on the number of days left in the billing cycle.

#### Additional General Information

Additional deposits and withdrawals/liquidations to the account in excess of \$25,000 maybe be subject to the same fee procedures.

A withdrawal/liquidation in excess of \$25,000 will be included in the fee collected on a pro-rata basis. Notwithstanding the foregoing, no advisory fee will be charged on any A or B share mutual fund, unit investment trust or annuity transferred into the account that were purchased within five years if a commission was paid to the IAR in their role as a registered representative at an affiliated or unaffiliated broker/dealer. No advisory fee will be charged on a C share mutual fund transferred into the account that was purchased within one year if a commission was paid to the IAR in their role as a registered representative at an affiliated or unaffiliated broker-dealer. According to the firm's best execution requirement, any in an advisory relationship must be converted into an appropriate share class or investment type upon a management fee being assessed.

As authorized in the Advisory Agreement, the account custodian withdraws advisory fees directly from the client's account according to the custodian's policies, practices, and procedures. The custodian sends the client a statement at least quarterly, indicating all the amounts disbursed from the account including the amount of advisory fees. It is the client's responsibility, not the custodians, to verify the accuracy of the fee deduction. Since IARs of CIA can also be registered affiliates of CSI, First Assets, and/or AGWM, the broker/dealer has certain supervisory and administrative duties that it is obligated to perform. The custodian of the account holds all customer assets. CIA does not hold customer funds or securities. Fees are never based upon the performance of the account.

Advisors may be licensed as Registered Representatives with CSI, First Assets and/or AGWM or another broker/dealer. This arrangement may present a conflict of interest in recommending investment products based on the compensation received, rather than on a client's needs. It is against the policy of CIA, CSI, FAF and AGWM to allow an IAR or Representative to put personal interests



ahead of client interests. In any transaction that presents a conflict of interest, the client's interest is always the primary interest. In the event a conflict of interest arises, the client will not be billed twice for the same service or transaction. Any investment product recommended by Advisor may be

purchased through other brokers and agents unaffiliated with CIA, CSI, FAF or AGWM if the client desires.

Clients should note that the same or similar advisory services may be available elsewhere at a lower or higher cost to the client. Clients should consider that depending upon the level of wrap fee charged, the amount of portfolio activity in their account(s), the value of services provided, and other factors, a wrap fee may exceed the aggregate cost of services if they were to be provided separately. A non-wrapped pricing arrangement may be more cost effective for accounts that do not experience frequent trading activity.

The annual fees may be negotiable and based on assets under management as follows:

<b>Asset Amount</b>	<b>Max. Advisor Fee</b>
Up to 250K	2.75%
\$251K - \$500K	2.50%
\$501K - \$1M	2.25%
Above \$1M	2.00%

The asset-based fee is based upon the value of the account as calculated by the custodian.

#### **Tiered Fee Structure**

The Advisor Fee is computed using a tiered fee structure when applicable. This means that the entire account balance is broken up into the applicable tiers and the corresponding fee is applied to each sub-balance of the account. For example, a \$2,000,000 account with the fee schedule shown above would result in a Total Annual Client Fee of \$44,375, computed as follows:

Client Fee:  $(\$250,000 \times 2.75\%) + (\$250,000 \times 2.50\%) + (\$500,000 \times 2.25\%) + (\$1,000,000 \times 2.00\%)$   
= \$44,375

Client is responsible for all commissions and other transaction charges (on non-wrap accounts) and any charge relating to the custody of securities in the account. In addition, all fees paid to CIA for investment advisory services are separate and distinct from fees and expenses that may be charged by the mutual fund companies or TPAMs. The mutual fund fees and expenses are described in the fund's prospectus. Clients will also incur brokerage and other transaction costs; please see Item 12 in this brochure for further information.

In certain arrangements with TPAMs, the client may be billed directly by the TPAM. In these situations, CIA will receive a solicitation fee for its services. Notwithstanding this arrangement, the client will not be billed more than the maximum annual fee amount listed and agreed upon in the fee schedule above. All fee arrangements are subject to approval by CIA management.

#### **Financial Planning Fees**

CIA's Advisor Representatives may offer personal financial planning services on an hourly or fixed fee basis. Financial planning services can be offered for a fixed fee or on an hourly basis.

The client may choose to implement any portion or none of the plan at their sole discretion. Advisor will not provide ongoing investment management under the Financial Planning Agreement; however, clients will be able to engage Advisor to conduct a review of investment accounts on a periodic or annual basis for the hourly rate noted above.

### Consulting, Retirement Plan Services and Other Fees

Fees will be charged either at an hourly rate or by other agreed-upon method. The fee will depend on the nature and complexity of the client's consulting needs. All fees are agreed upon prior to entering into a contract. The client will be invoiced at the conclusion of the project, or on a monthly basis, for hourly fees. An upfront deposit may be requested.

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

CIA does not use Performance-Based Fees and Side-by-Side Management. Therefore, Item 6 is not applicable to CIA's business model.

## **ITEM 7: Types of Clients**

CIA provides discretionary and investment advisory, financial planning, and consulting services on a fee-only basis for individuals, businesses, qualified retirement plans, individual retirement accounts, trusts, and other entities.

### **CONDITIONS FOR MANAGING ACCOUNTS**

CIA generally requires a minimum relationship of \$25,000 for clients seeking investment management service, which may be waived based upon a pre-existing householding relationship or special client circumstances at the discretion of management.

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

### **PORTFOLIO CONSULTING & MANAGEMENT SERVICES**

Product recommendations may include, but are not limited to, equities, ETF's, corporate debt securities, municipal bonds, mutual funds, government securities, alternative investments, and options. We select specific investments for your portfolio through the analysis of:

1. Fundamental data
2. Technical considerations
3. Macro-Economic and Geo-political factors

IAR's directly manage and diversify Clients' portfolios based upon the Client's:

- risk profile
- time horizon
- financial goals
- income (current and potential)
- cash flow and liquidity needs
- tax considerations
- portfolio size
- net worth, and
- other various suitability factors

Restrictions and guidelines imposed by Clients affect the composition and performance of portfolios. For this reason, portfolio performance within the same investment objective may differ.

## **RISK OF LOSS**

CIA does not offer performance guarantees on any security or investment strategy. Consult your IAR on questions related to your risk analysis. All investments involve risks that can result in loss, including:

- Loss of principal
- A reduction in earnings
- And the loss of future earning

Additionally, these risks may include but are not limited to:

- Market risk
- Interest rate risk
- Issuer risk
- Inflation risk
- Currency risk
- Political risk
- And general economic risk

Frequent trading can affect portfolio performance, particularly through increased brokerage and other transactional costs (if applicable) and taxes. Additionally, you should be aware that the use of margin, options, and short sales are higher risk strategies. It is possible to lose all the principal you invest, and sometimes more. In a cash account, your risk is limited to the amount of money that you have invested. In a margin account, your risk includes the amount of money invested plus the amount that has been loaned to you. When you sell a security short, your losses can be infinite.

## **ITEM 9: Disciplinary Actions**

CIA has no Disciplinary Actions. But certain IAR's have actions that are required to be disclosed, including:

- Assault on a Peace Officer, a third-degree felony, which was dismissed at the hearing.
- Two instances of inaccurately completing insurance applications:
  - failure to disclose a felony conviction when a minor – Insurance license was issued with a twelve-month probationary period and payment of a \$150 fine;
  - submission of two insurance applications with different responses – the inaccurate application was denied, and the accurate one was issued.
- Failure to supervise while a control person at an unaffiliated broker-dealer which resulted in being prohibited from serving in a Principal capacity at any broker-dealer for six months; and
- A Civil Court order to repay credit card debt to the card issuer.

Please review your IAR's Form CRS that documents these situations and feel free to ask your IAR to discuss their background.

## ITEM 10: Other Financial Industry Activities & Affiliations

Both CIA and CSI are owned directly by James R. Webb. CSI is a general securities broker/dealer registered with the SEC, FINRA, and various state regulatory agencies. In this capacity, CSI executes trades (as agent) for a commission in mutual funds, equities, ETF's, bonds, options, variable annuities, and other investment products on behalf of clients who may or may not have an Advisory Agreement with CIA. Key principals of CIA also function as officers and/or registered principals of CSI. This relationship may create a conflict of interest, as IARs of CIA may also be receiving a commission as a registered representative of CSI for effecting securities transactions which they may have recommended to Advisory Clients. Advisory Clients are under no obligation to affect securities transactions through CSI.

Cape Insurance Solutions, Inc. ("CIS") is a state licensed insurance agency, which is under common ownership with CIA, and is also directly owned by James R Webb. CIS sells life and fixed annuity products which may be offered to CIA clients. When doing so, this relationship may create a conflict of interest as CIA IARs may also receive a sales-based commission as a CIS agent for the insurance product recommended. Advisory Clients are under no obligation to purchase insurance products through CIS.

American Global Wealth Management, Inc. (AGWM) is a general securities broker/dealer registered with the SEC, FINRA, and various state regulatory agencies. AGWM is owned by American Global Wealth Services, Inc. (a holding company controlled by James R. Webb). In this capacity, AGWM executes trades (as agent) for a commission in mutual funds, EFT's, equities, bonds, options, variable annuities and other investment products on behalf of clients, who may or may not have an Advisory Agreement with CIA. Key principals of CIA also function as officers and/or registered principals of AGWM. This relationship may create a conflict of interest, as IARs of CIA may also be receiving commissions as a registered representative of AGWM for effecting securities transactions which they may have recommended to Advisory Clients. Advisory Clients are under no obligation to effect securities transactions through AGWM.

First Asset Financial, Inc. ("FAF") is a general securities broker/dealer registered with the SEC, FINRA, and various state regulatory agencies. FAF was purchased in 2020 and is beneficially owned by James R. Webb. While the entity is registered as a broker/dealer, no CIA IAR's are associated with the firm. Certain CIA management personnel have responsibilities related to both firms, for which a time commitment exists which is the primary conflict of interest that is known to exist between these two firms.

CIA has certain arrangements with TPAMs whereby the TPAM provides CIA with remuneration for using their services which may present a conflict of interest in relation to the Client relationship. CIA addresses these conflicts of interest by only selecting qualified TPAMs that will competently manage Client assets regardless of the compensation CIA may receive. These arrangements are fully disclosed by CIA to the Client in the contract between CIA, Client, and TPAM.

CIA may recommend Clients establish brokerage accounts with Hilltop Securities, Inc. ("HTS"), Charles Schwab & Co., Inc. ("Schwab"), or another licensed custodian or FINRA registered broker-dealer, to maintain custody of Clients' assets and to effect trades for their accounts. Although CIA may recommend that Clients establish accounts at HTS, Schwab, or SEI, it is the client's decision to custody assets at a broker- dealer of their choice. CIA is independently owned and operated and not affiliated with HTS, Schwab, or SEI.

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

CIA IARs may be registered representatives with CSI and/or AGWM which are affiliated broker/dealers. Clients are under no obligation to purchase or sell securities through CSI or AGWM; however, if they choose to implement recommendations within a financial plan, commissions may be earned in addition to any fee paid for advisory services. Fees and commissions won't be charged for the same services or transactions. The receipt of commissions for recommended products could represent an incentive for the IAR to recommend products that pay a commission over other products that don't or that pay a lower commission than the one(s) recommended, therefore creating a conflict of interest. Additionally, if the client implements the plan through the IAR, clients may be limited to products or services available through CSI or AGWM. Commissions earned may be higher or lower at CSI or AGWM than commissions earned at other broker/dealers. Employees and IAR's of CIA may buy or sell securities that are also held by or recommended to clients, thus creating another potential conflict of interest. Employees and IAR's may not enter trades for a security in their own personal account prior to entering the Client's trade in Client accounts.

### **CODE OF ETHICS**

Our Code of Ethics holds CIA IAR's to a high ethical standard. IAR's must place the interest of the Client above their own interest. Advisor will provide a copy of our Code of Ethics to any Client or prospective client upon request.

### **EDUCATION & BUSINESS STANDARDS**

CIA requires IARs to have a college degree or relevant experience in a business similar or related to investment management and/or planning. In addition, IARs will be registered as required by applicable state law or statute. The IARs may also be required to obtain appropriate insurance education and licensing. Additional consideration will be given to those candidates with advance industry designations (e.g., CFP™, ChFC, PFS, etc.)

## **ITEM 12: Brokerage Practices**

### **INVESTMENT OR BROKERAGE DISCRETION**

Because costs associated with trades executed through broker-dealers, including those recommended by CIA, will be passed on to the Client in addition to the management fee, best execution will most likely be obtained through the recommended broker/dealer. For this reason, all transactions will generally be executed through the recommended broker/dealer, subject to CIA's duty to obtain "best execution", i.e., a price that is as favorable to clients as possible under the prevailing market conditions. CIA does not warrant or represent that transaction costs for transactions implemented through the recommended broker/dealer will be lower than fees available if Clients used another brokerage firm. CIA believes, however, that the overall level of services and support provided to Clients by Advisor outweighs the potentially lower transactions cost available under other brokerage arrangements.

Persons associated with CIA may also be registered representatives of CSI and/or AGWM, affiliated broker/dealers. In general, CIA may recommend the use of CSI or AGWM to clients for implementation of recommendations, provided the recommendation is consistent with CIA's fiduciary duty to the Client. This may create a conflict of interest, as CIA has business

arrangements with CSI and AGWM for the provision of administrative support and other investment-related services. Any commission or other compensation received from the implementation of these recommendations is separate and distinct from CIA's advisory fee. No Client is obligated to use CSI or AGWM to implement any recommended transaction.

Notwithstanding such arrangements, CIA strives to serve our client's best interest. As such, Client investments are based on investment suitability for the Client and whether it meets the Client's investment objectives, risk tolerance and guidelines. Furthermore, CIA uses its best efforts to obtain the most favorable net results after considering the share price, size of order, difficulty of execution, confidentiality and skill required of the broker. Clients should be aware that best execution may not necessarily be achieved if recommended transactions are placed through these individuals in their separate capacities as registered representatives or insurance agents/brokers. In addition, CIA does not warrant or represent that commissions for transactions implemented through CSI or AGWM will be lower than commissions available if Client used another brokerage firm. CIA believes, however, that the overall level of service and support provided to Client by CIA outweighs the potentially lower transactions cost that may be available under brokerage arrangements other than that offered by CIA.

For CIA Client accounts HTS, Schwab, or SEI generally do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades executed through each entity or that settle into HTS, Schwab, or SEI accounts. HTS, Schwab, or SEI also make available to CIA other products and services that benefit CIA but may not benefit its clients' accounts. Some of these other products and services assist CIA in managing and administering clients' accounts, which may include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of CIA's fees from its clients' accounts; and assist with back-office functions, recordkeeping and Client reporting. Many of these services generally may be used to service all or a substantial number of CIA's accounts, including accounts not maintained at HTS, Schwab, or SEI.

Examples of other services may include consulting, publications, information technology, business succession, regulatory compliance and marketing. In addition, they may make available, arrange and/or pay for these types of services rendered to CIA by independent third parties or may discount or waive fees they would otherwise be charged for some of these services or pay all or a part of the fees of a third-party providing these services to CIA.

The foregoing arrangements with HTS, Schwab, or SEI pose a conflict of interest to the extent they create an incentive for CIA to suggest that Clients maintain their assets in accounts at HTS, Schwab, or SEI on the basis of products and services that may become available to CIA as a result, rather than solely on the basis of the nature, cost or quality of custody and brokerage services provided by HTS, Schwab, or SEI to Clients. However, CIA is constrained by fiduciary principles to act in its client's best interests and will suggest HTS, Schwab, SEI to Clients only when appropriate to do so. In addition, CIA maintains an awareness of the services provided to Clients by HTS, Schwab, or SEI in an effort to ensure that Clients are well served.

### **ITEM 13: Review of Accounts**

IARs will review accounts no less than annually or as agreed upon by IAR and Client. Supervisory reviews will occur randomly and/or on the accounts with disproportionate losses and gains. CIA does not provide customized Client statements. These statements will come from the Client's respective custodian.



## **ITEM 14: Client Referrals & Other Compensation**

Employees of CIA may receive commissions from the sale of insurance products and services, working with various insurance companies. Sales transactions will be completed only by licensed agents. Clients are under no obligation to purchase any insurance products and/or services through agents affiliated with CIA.

The recommended broker/dealers also make available to CIA other products and services that benefit CIA but may not benefit its client's accounts. Some of these other products and services assist CIA in managing and administering Clients' accounts.

These include software and other technology that provide access to Client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of CIA's fees from its clients' accounts; and assist with back-office functions, recordkeeping, client reporting and/or assist in increased client communication.

### **Solicitation Arrangements**

CIA is party to written agreements with certain Third-Party Asset Managers (TPAMs) under which its IARs provide personal advisory services to their clients. Such personal advisory services include qualifying their clients for a particular TPAM as well as determining client's goals and objectives (determining risk tolerance and investment styles). In doing so, CIA may be acting as a solicitor for that TPAM. CIA and its IARs receive compensation pursuant to these agreements for introducing clients to the TPAM and for providing the aforementioned personal advisory services. This compensation is typically equal to a percentage of the investment advisory fee charged by the TPAM. Because such compensation may differ depending on the individual agreement with each TPAM, the IARs may have an incentive to recommend a particular TPAM over other TPAMs with which CIA has less favorable compensation arrangements or alternative advisory program. Any solicitation or referral arrangements will comply with applicable laws that govern the nature of the service, fees to be paid, disclosures to clients and any necessary client consents.

CIA may enter into a solicitor agreement with a real-estate agent, mortgage broker, accountant, attorney, or other professional where the solicitor can receive compensation based upon the amount of assets brought to CIA. Solicitor compensation is typically equal to a percentage of the investment advisory fee paid by the Client, who is deemed to have become a Client as a result of such individual's direct or indirect efforts. These payments are proportional to the fee charged by us and do not result in an increase in the amount of the fee paid by Client. CIA and its IARs may also be paid by other Investment Advisors for the referral of clients. Any solicitation or referral arrangements will be in writing and in accordance with applicable laws that govern:

- The nature of the service,
- Fees to be paid,
- Disclosures to client and
- Any necessary client consent.

## **ITEM 15: Custody**

Advisor may recommend a broker/dealer and/or custodian. Advisor considers the full range and quality of services in placing accounts, including promptness and accuracy of execution, commission rate, operational capabilities, and the firm's financial condition to ensure compliance with Advisor's best execution policy. Generally, the Advisor will recommend that client assets be held in custody at Charles Schwab. Charles Schwab, is not affiliated with CIA.

CIA does not send statements to its clients. Clients receive statements from their respective custodian on a monthly or quarterly basis. Clients also have online access to their account, including statements and confirmations, via their custodian's website. CIA advises Client to review and compare their account statements, which they receive in the mail, with their electronic account statement, to ensure consistency.

#### **ITEM 16: Investment Discretion**

Clients who participate in the Advisory Services Program may elect to grant full discretionary investment authority to CIA, IAR and/or TPAM to determine the securities to be bought or sold, the amount of securities to be bought or sold, and the timing of such transactions. This discretionary authority is authorized by the client when the client signs CIA's Advisory Services Agreement. CIA, IAR and/or TPAM can use this authority to replace a Sub-Manager. However, CIA, IAR and/or TPAM will generally only use this grant of discretion to replace Sub-Managers when it deems such change to be necessary; to rebalance a Client's account as agreed between the Advisor and/or Client; and to liquidate sufficient assets to pay the advisory fee when necessary and advisable.

CIA, IAR and/or TPAM will not have the authority to withdraw funds or take custody of client funds or securities other than where the client has authorized the deduction of investment advisory fees via a qualified custodian or at the request of Client to have money withdrawn from their brokerage account and sent to the address of record or an existing bank account registered to Client.

#### **ITEM 17: Voting Client Securities**

#### **PROXY VOTING AND CLASS ACTION LAWSUITS**

CIA does not vote, nor advise clients how to vote, proxies for securities held in client accounts. CIA clients retain the right to vote the proxies of shares held in their accounts. In addition, CIA will not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits.

#### **ITEM 18: Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding. Additionally, CIA does not require or solicit prepayment of client fee more than six months in advance, thus a balance sheet is not required to be maintained or provided.