



## **Cape Investment Advisory, Inc.**

### **Cape Investment Advisory Wrap Fee Program Part 2A Appendix 1 of Form ADV: Wrap Fee Disclosure Brochure**

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**This wrap fee program 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. The information contained 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 also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Material Changes**

- Wrap Fee Billing, who bills and frequencies
- Custodians
- Statement provider
- Ability to use MF's in a portfolio
- Removed info related to financial planning services

## **Item 3: Table of Contents**

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## ITEM 4: SERVICES, FEES, AND COMPENSATION

### CAPE INVESTMENT ADVISORY WRAP PROGRAM

CIA (“Sponsor”) offers a wrap-fee program to investment advisor representative (“IAR”) clients who use “Sponsor” as an RIA and an approved custodian (broker/dealer) for their managed assets. The program, known as the Cape Investment Advisory Wrap Program, is presented by Sponsor and IAR to the client.

CIA Investment Advisory Representatives (“IAR”) act as portfolio manager to the Cape Investment Advisory Wrap Program. IAR’s work with clients to identify their investment goals and objectives as well as risk tolerance in order to create an initial portfolio allocation designed to complement the client’s financial situation and personal circumstances. Accounts are managed based on each client’s individual needs.

The process begins through personal discussions between the IAR and the client to establish investment goals and gather 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 and/or Advisor believe best meets the client’s long term stated goals.

The investment plan contains assets in classes that CIA believes (based on historical data) will have attractive combinations of return, risk and correlation. In addition, CIA offers clients the opportunity to use services offered by third party money managers.

Product recommendations under this platform may include but are not limited to, equities, corporate debt securities, municipals bonds, mutual funds, government securities, options, and alternative investments. Restrictions and guidelines imposed by clients effect the composition and performance of portfolios. For this reason, performance of portfolios within the same investment objective may differ.

Advisory client assets are held and processed at an approved custodian (broker/dealer), Charles Schwab, , Hilltop Securities (HTS), and SEI.

### FEES

Clients in the CIA Wrap Program pay an all-inclusive fee. Fee remittance is as described in the Advisory and/or Sub-Advisory agreement. Fees are generally billed by the Sub-Manager with a portion being remitted to CIA, or CIA and the Sub-Manager may bill their respective portions separately.

Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the calendar month or quarter. Fees are billed either monthly or quarter, in advance or in arrears, based on the number of days managed for that period. The level of the fee will vary with the amount of assets under management in the program and the particular investment style and investment alternatives chosen or recommended. Clients should note that the same or similar 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.

CIA requires a minimum account of \$25,000 for clients seeking investment management services; however, at the sole discretion of management, the minimum account value requirement may be waived.

Below is the schedule of fees charged by CIA in connection with the Cape Investment Advisory Wrap Program. The fee charged is on the value of the funds in the advisory client’s account. All fees are negotiable at the discretion of CIA management.

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

#### ***Wrap Fee Option***

Wrap fee structures allow you to pay an all-inclusive fee which includes:

1. investment management fees shared by our firm, your advisory representatives, and, in some instances, the broker dealer of the advisory representative who is also a registered representative of the broker-dealer;

2. execution and clearing costs;
3. transaction costs – if applicable – which may be paid to purchase and sell securities in your account; and
4. custody fees.

The annual fees for the CIA Wrap Fee Program are negotiable and based on assets under management as follows:

Asset Amount	Max. Client Fee	Execution, Clearing Fee*	Investment Management Fee (TPAM or AAM)
Up to 250K	2.75%	.30	0---2.45%
\$250K --- \$500K	2.50%	.30	0---2.20%
\$500K --- \$1M	2.25%	.25	0---2.00%
\$1M --- \$2M	1.95%	.20	0---1.75%
\$2M--- \$5M	1.65%	.20	0---1.45%
Above \$5M	1.35%	.15	0---1.20%

*\*Minimum fee of \$350. Execution, custodial, and clearing fee is included in Total Annual Advisory Fee. In certain circumstances the execution, custodial, and clearing fees may be negotiable at the discretion of CIA management.*

The asset-based fee is calculated at the end of the calendar month or quarter. The fee is based upon the value of the account as calculated by the custodian. Fees for the initial quarter will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the adviser agreement goes into effect. Any deposits or withdrawal of funds or securities within a billing period exceeding \$25,000 are subject to the same billing process.

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 custodian's, to verify the accuracy of the billing amount. Advisor does not hold customer funds or securities. CIA 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 there brokerage account and sent to the address of record or an existing bank account registered to Client.

#### OTHER ISSUES RELATING TO FEES

The cost of investment advisory services provided through the programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular Client are the choice of custodian, the size of the account, the type of account (i.e., equity or fixed income), the size of the assets devoted to a particular strategy, and the Sub-Managers selected. The minimum account size varies depending on the selected investment strategy.

The program fee does not cover, and the Client will be additionally responsible and charged for:

- (i) commissions, markups, markdowns, spreads and other transactional charges on securities transactions effected through, or with, brokers and dealers other than their custodian.
- (ii) interest on debit account balances, where applicable.
- (iii) the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter of dealer (including Charles Schwab) involved in a distribution of securities;
- (iv) bid-ask spreads.
- (v) odd lot differentials.
- (vi) exchange fees, transfer taxes and other fees required by law;
- (vii) Individual Retirement Account fees, qualified retirement plan account fees and other account maintenance fees; and
- (viii) other fees that may be assessed by custodian in its capacity as broker and custodian upon notice to the Client.

- (ix) Some portfolio strategies may invest in American Depositary Receipts (“ADRs”) or foreign stocks listed on an U.S. stock exchange. ADRs are typically created, organized and administered by a U.S. bank. Generally, these banks charge a fee for their services (e.g., custody) and may deduct these fees from the dividends and other distributions generated from the ADR shares. In addition, banks incur expenses, such as converting foreign currency into U.S. dollars, and as a result may pass those expenses associated with the foreign stocks (such as foreign taxes) may also passed along to the shareholder. These fees and expenses are in addition to the above-mentioned Total Fee and Clearing Fees.

## **ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

CIA provides discretionary and nondiscretionary investment advisory services for individuals, businesses, qualified pension and profit-sharing 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 services. This minimum may be waived based upon a pre-existing relationship or special client circumstances at the discretion of management.

## **ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

The factors we consider when selecting TPAMs to recommend to clients include the TPAM’s:

- management style,
- performance record,
- reputation,
- pricing, and
- reporting capabilities.

TPAMs are evaluated using data and information from several sources, including the manager and independent databases. We also review the manager’s Form ADV Part 2, as well as portfolio holdings reports that help demonstrate the manager’s securities selection process. However, neither we nor a third party verifies the accuracy of performance information or compliance with performance standards.

In recommending a TPAM to you, we consider your financial situation, risk tolerance, investment horizon, liquidity needs, tax considerations, investment objectives, and any other issues important to your state of affairs. Please notify us promptly if there are any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon the management of your account.

Our IARs can act as a portfolio manager for the CIA managed account program. We do not evaluate these portfolio managers in the same manner that we evaluate TPAMs as described above. You decide whether you want your IAR to manage your assets directly or whether your assets are managed by a third party. We do supervise your IAR as described in the brochure supplement we have provided to you.

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

- Discretionary Investment Management
- Non discretionary investment management
- Investment monitoring services

The process begins through personal discussions between the Investment Advisor Representative (“IAR”) and the client to establish investment goals and gather 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 Advisor believes best meets the client’s long term stated goals. The client reserves the right to impose restrictions on investing in certain securities or types of securities so long as these restrictions are communicated to the Advisor in writing.

The investment plan will contain assets in classes that CIA believes (based on historical data) will have attractive combinations of return, risk, and correlation. In addition, CIA offers clients the opportunity to use services offered by third party money managers as well as affiliated IAR’s.

### **Discretionary Investment Management**

We can provide discretionary portfolio management services to clients using a variety of standard and customized investment models. Each portfolio is designed to meet a particular investment objective. We can use this discretionary authority to buy and sell securities on your behalf per client agreements. We may also enter non-solicited trades at the client's request.

#### *Nondiscretionary Investment Management*

CIA provides nondiscretionary portfolio management services to clients. IARs use the client's investment objectives and risk tolerance when making recommendations to clients. Trades are entered only with the consent and approval of the client. We may also enter non-solicited trades at the client's request.

#### *Investment Monitoring Services*

CIA offers monitoring services to both individual and institutional clients for both qualified and non-qualified accounts. We review asset allocation, the overall performance and that of the individual managers. Reviews are generally conducted on a quarterly basis, although the only requirement is for an annual review. Documentation and communication of the review will be determined between IAR and client.

#### *Broker Dealer Affiliation Disclosure*

CIA is affiliated with Cape Securities, Inc. ("CSI"), American Global Wealth Management, Inc. ("AGWM"), and First Asset Financial ("FAF"), all registered broker/dealers Global Investment Advisory (GIA). Therefore, it may be common for the CIA representative to also serve as the CSI, AGWM and/or FAF registered representative for clients' account(s).

#### *Third Party Asset Management and Affiliate Asset Management*

Advisor may recommend that clients engage certain Third Party Asset Managers ("TPAM") or Affiliate Asset Managers ("AAM") to manage all or a portion of their assets. Advisor will provide individualized advisory services to their clients through the selection of a suitable TPAM or AAM. Factors considered in the selection of a TPAM or AAM include but may not be limited to: i) the management style, performance, reputation, pricing and reporting capabilities of the AAM or 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. In order to assist clients in the selection of a TPAM or AAM, 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 contact the client at least annually, or more often as agreed upon with each client, to review the client's financial situation and objectives, communicate information to the TPAM or AAM managing the account as warranted, and to assist the client in understanding and evaluating the services provided by the TPAM or AAM. Clients will be expected to notify their Advisor of any changes in their financial situation, investment objectives, 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 or AAM's Form ADV Part II; ii) the program wrap brochure (if applicable) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager or managers selected; or, iv) the TPAM's or AAM's account opening documents. A copy of all relevant disclosure documents of the TPAM or AAM and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.**

Compensation generally, consists of three elements: i) management and advisory fees shared by the TPAMs or AAMs, CIA, and its IARs; ii) transaction costs – if applicable – which may be paid to purchase and sell such securities; and iii) custody fees. Fees are assessed by the TPAM or AAM who in turn may pay a portion of the fee to CIA for services provided. The amount and timing of these fees varies depending on the TPAM or AAM.

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 in 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, postage and handling charges. In a non-wrap account, the foregoing charges are assessed as separate charges. If a client elects to participate in a wrap fee account, an additional Wrap Fee Disclosure Brochure, Part 2A Appendix I, will be provided to the client.

**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 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 or AAM.**

#### INVESTMENT MANAGEMENT PROCESS

CIA's Portfolio Management team uses a number of analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums.

In some cases, CIA will use Sub-managers to construct a model portfolio that Advisor will use to invest Client assets. In some cases, Sub-Managers construct a model portfolio that CIA will use to invest Client assets. CIA may recommend investments in certain mutual funds or alternative investments, such as hedge funds and private equity funds, depending on an individual Client's investment objectives and available assets for investment.

The CIA Wrap Program is intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Each Client's account is managed on the basis of the Client's individual financial situation. Each Client has the opportunity to select the account's investment objective and impose reasonable restrictions on the management of the assets in the account. In addition, Clients will be contacted annually and notified quarterly by their Advisor, in order to confirm the accuracy of this information.

#### TYPES OF INVESTMENTS

CIA selects and monitors the investment managers who make investment decisions. Through the Wrap Program, CIA evaluates Sub-Managers specializing in each of the asset categories listed, including equities (both domestic and foreign), ETF corporate debt, commercial paper, certificates of deposit, municipal securities, mutual funds, government securities, options and futures. CIA will recommend an asset allocation (and Sub-Managers within an asset category) based upon the Client's needs and objectives. In some cases, Sub-Managers will supply CIA with a model portfolio and CIA will invest Client assets accordingly.

#### PROXY VOTING & CLASS ACTION SUITS

Client agrees that Advisor or Sub-Manager, as applicable, will not vote or advise you how to vote proxies for securities held in your account. The Custodian should promptly send you all proxies and related shareholder communications for the securities held in your account. If you are a plan fiduciary in the case of an account subject to the provisions of the Employee Retirement Income Security Act of 1974 ["ERISA"], you expressly retain the authority and responsibility for the voting of proxies. We are expressly precluded from rendering any advice or taking any action with respect to the voting of proxies.

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. CIA will, however, forward to Client any information received by CIA regarding class action legal matters involving any security held in the account.

#### 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: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Portfolio Managers may be provided with full disclosure of all client information that CIA has in its files. This information is updated as the client informs CIA of any changes to such information and may be given to Portfolio Managers accordingly.

#### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

CIA places no restrictions on Client contact with portfolio managers. Clients have full access to RIA, IAR & its portfolio managers.

## **ITEM 9: ADDITIONAL INFORMATION**

### **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:
  - o 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;
  - o 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.

### **BROKERAGE SERVICES**

Client authorizes Sponsor's custodians as the broker of Client's choice ("Broker") for the Accounts to provide trade execution services as indicated in the Client Investment Advisory Agreement and Fee Disclosure. Broker will also be appointed to serve as custodian of the client assets. Services provided by Broker in this capacity are provided pursuant to a separate agreement between Client and Broker. Client acknowledges that by directing brokerage, Client may not receive best execution on transactions for the Accounts. Sub-Managers will have the authority to effect transactions for the Accounts with or through another broker, dealer, or bank if Advisor or Sub-Manager believes that "best execution" of transactions may be obtained through such other broker, dealer, or bank, including any broker/dealer that is affiliated with Advisor, Sponsor or Sub-Manager. Client acknowledges that it may be responsible for additional fees for portfolio transactions executed away from Sponsor's custodian. Client agrees to furnish any such broker, dealer or bank such authorizations as any of them or Advisor may request to implement the provisions of the Agreement.

Client instructs Broker to accept instructions from CIA and Sub-Managers to whom Advisor has delegated investment discretion by providing notice to the Broker in the form of the Broker/custodian application. Client authorizes CIA to open broker/dealer credit accounts at applicable executing brokers, and Client authorizes CIA as attorney-in-fact to give instructions to an appropriate broker. All transactions effected by Sub-Managers for Client's Accounts shall be cleared and settled with the Broker. Sub-Managers may execute transactions through brokers, dealers and banks that have certain arrangements with Advisor, Sponsor and/or Sub-Managers pursuant to which Advisor, Sponsor or Sub-Managers receive credit (toward acquisition of research products and services) for brokerage placed with such firms by Advisor or Sub-Managers.

When CIA or a Sub-Manager deems a transaction to be in the best interests of the Client, as well as other clients of CIA, Advisor or Sub-Manager, to the extent permitted by applicable law and regulation, Sponsor or Sub-Manager is permitted to aggregate multiple client orders to obtain what Sponsor, or Sub-Manager believes will be the most favorable price and/or lower execution costs at the time of execution.

Neither Advisor, Sponsor nor any Sub-Manager will be responsible for any action or inaction taken by any third-party broker, dealer or bank, or any loss incurred by reason of any action or inaction of any broker, dealer or bank.

Client authorizes Sponsor or Sub-Managers to instruct all brokers, dealers, and banks that effect transactions for or with the Accounts to forward confirmations of transactions for Client's Accounts to the Sub-Managers, Platform Manager or Advisor.

### **INVESTMENT OR BROKERAGE DISCRETION**

Clients who participate in Wrap programs may or may not grant discretionary trading authority to CIA.



## REPORTS AND REVIEW OF ACCOUNTS

CIA does not provide customized Client statements. These statements will come from the Client's respective custodian. IARs are responsible for reviewing them with the Client at least annually and as market conditions warrant. It is recommended to clients that consistent periodic reviews be made to continually update client information and investment strategies as conditions warrant. The reviews focus on consistency of portfolio investments with investment objectives and risk tolerances. Other factors that may trigger a review include, but are not limited to, changes in market and economic conditions, known changes in the client's financial situation and large deposits and/or withdrawals from the account.

Clients receive confirmations on all transactions, as well as monthly (or quarterly if there is no account activity) statements from the custodian, which outline the clients' current positions and current market value.

## TERMINATION

Client has the right to cancel this Agreement within five business days of the later of Advisor's, Sponsor's or Sub Manager's acceptance by giving written notice of such cancellation to Advisor. In such event, any Fees paid by Client shall be refunded to Client, but Client shall be responsible for any transactions executed prior to Advisor's receipt of the written cancellation notice. Thereafter, either party may cancel this Agreement at any time, for any reason, upon receipt of 30 days' prior written notice. Clients will receive a pro-rated refund of any pre-paid quarterly Program Fee, based upon the number of days remaining in the quarter after the termination date.

## BUSINESS AFFILIATIONS AND CONFLICTS OF INTEREST

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 CSI may also be receiving a commission as the broker-dealer for effecting securities transactions which may have recommended by IAR's to Advisory Clients. IAR's, as registered representatives of CSI, may also earn brokerage commission from transactions generated from other brokerage account activity, including other brokerage accounts maintained for the Client. Advisory Clients are under no obligation to effect 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 IARs of CIA, as insurance agents, may also receive a sales-based commission as a CIS agent of 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 AGWM may also be receiving commissions as the broker-dealer for effecting securities transactions which they may have recommended by IAR's to Advisory Clients. IAR's, as registered representatives of AGWM, may also earn brokerage commission from transactions generated from other brokerage account activity, including other brokerage accounts maintained for the Client. 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 is owned by American Global Wealth Services, Inc. (a holding company controlled by James R. Webb). In this capacity, FAF 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 may function as officers and/or registered principals of FAF. This relationship may create a conflict of interest, as FAF may also be receiving commissions as for effecting securities transactions which they may have recommended by IAR's to Advisory Clients. IAR's, as registered representatives of FAF, may also earn brokerage commission from transactions generated from other brokerage account activity, including other brokerage accounts maintained for the Client. Advisory Clients are under no obligation to effect securities transactions through FAF.

Global Investment Advisory, Inc. (GIA) is a state registered advisory firm and currently does not have any clients or assets under management. GIA is under sole control and owned by Jim R. Webb.

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”), SEI, 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 Clients establish accounts at HTS, Schwab, TD, PMR, 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.

CIA and its investment personnel may give advice and take action in the performance of their duties to the wrap program clients, which differ from advice given, or the timing and nature of action taken, with respect to other clients’ accounts. In addition, CIA Representatives have an interest in minimizing transactions in Cape Investment Advisory Wrap Program as the advisory representative pays the transaction costs paid to the custodian.

Advice offered by related persons of CIA may involve investments in mutual funds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. These fees come from fund assets, and thus, indirectly from the client’s assets. These 12b-1 fees may be initially paid to the broker-dealer who maintains your account with a portion being allocated to related persons who are also registered affiliates of the firm. The receipt of these funds could represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees or higher fees over funds with no fees or lower fees, therefore creating a potential conflict of interest. As a matter of best execution, MF’s that pay a 12b-1 will be discouraged, as they are rarely in the best interest of the client.

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. For clients assets held at Hilltop Securities, Inc. (HTS) a registered broker/dealer, the trades will be executed through HTS. For assets held at Charles Schwab a registered broker/dealer the trades will be executed through Charles Schwab. For assets held at SEI, trades will be executed according to their procedures. Neither Hilltop Securities, Charles Schwab nor SEI are affiliated with CIA. This applies to other custodians as well, such as mutual fund and insurance companies.

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

IARs of CIA may also be registered representatives with CSI, AGWM or FAF, affiliated broker/dealers. Clients are under no obligation to purchase or sell securities through any affiliated broker-dealer. 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, therefore creating a conflict of interest. Commissions earned may be higher or lower at CSI, AGWM or FAF than commissions earned at other broker/dealers. Employees and advisors of CIA may buy or sell securities that are also held by clients thus creating a potential conflict of interest. These individuals may not enter trades for a security in their own personal account before entering trades in client accounts.

#### CODE OF ETHICS

Our Code of Ethics holds CIA IAR’s to a high ethical standard. IARs 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.)

## CLIENT REFFERALS AND ADDITIONAL 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 and custodians also makes 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. 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 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 programs. 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, or other professional where the solicitor can receive a percentage of the client asset management fee. We pay these persons a percentage of the fee paid to us by client that are determines to have become clients as a result of such individual's direct or indirect efforts. These payments are a portion of the fee charges buy use and does not result in an increase in the amount of the fee paid by clients. CIA and its IARs may also be paid by other Investment Advisors for the referral of clients. Any solicitation or referral arrangements will complete with applicable laws that govern:

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

## 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 provided.

## **ITEM 10: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

CIA is an SEC-Registered Investment Adviser.