



# Firm Brochure

## Part 2A of Form ADV

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This brochure provides information about the qualifications and business practices of Capital Investment Advisors. If you have any questions about the contents of this brochure, please call us at (240) 482-4000, or e-mail us at [camg@capitalamg.com](mailto:camg@capitalamg.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 Capital Investment Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

# Firm Brochure

## Part 2A of Form ADV

### Table of Contents

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Item 1: Cover Page .....	
Item 2: Material Changes.....	03
Item 3: Table of Contents.....	02
Item 4: Advisory Business .....	03
Item 5: Fees and Compensation .....	08
Item 6: Performance-Based Fees and Side-By-Side Management .....	11
Item 7: Types of Clients.....	11
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9: Disciplinary Information .....	12
Item 10: Other Financial Industry Activities and Affiliations .....	12
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12: Brokerage Practices .....	15
Item 13: Review of Accounts.....	17
Item 14: Client Referrals and Other Compensation .....	17
Item 15: Custody.....	18
Item 16: Investment Discretion .....	18
Item 17: Voting Client Securities.....	18
Item 18: Financial Information .....	19

## Item 2: Material Changes

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### Nature of Filing

This document is the Annual Update to our Form ADV. The ADV is the registration document we use to qualify us to act as a Registered Investment Advisor with the Securities and Exchange Commissions.

### Changes to Our Asset Management Service:

With this filing the only changes made are related to removing reference to variable annuities in certain sections since we no longer recommend that variable annuities be under active management since most variable annuities already have active management within the annuity. We also updated the Third Party Multi-Manager Programs that are used.

## Item 4: Advisory Business

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### About Our Firm

Capital Investment Advisors, Inc. (CIA) was organized as a District of Columbia corporation on March 12, 1998. The firm is presently registered with the SEC. 2016 will mark Capital Investment Advisors 18th year in business. The firm is solely owned by its President and Chief Executive Officer, John E. Girouard.

Capital Investment Advisors is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

### Advisory Services Offered

Capital Investment Advisors provides Financial Consultation Services and Asset Management Services to our clients. Our Financial Consultation Services are tailored to meet the unique needs of each client. These Consultation Services usually commence with the preparation of a financial plan.

The scope of our initial financial plan depends upon our Client's needs and circumstances, and may be offered according to different formats and levels of complexity. In subsequent years, clients may choose to engage us to review and revise these plans, and consult

on other financial matters that the client may present. We also provide Consultation Services that address a single need our clients may present.

Our Asset Management Services may utilize third party asset managers and solicitation programs or provide discretionary and non-discretionary asset management. We help clients select from among these third-party asset manager and solicitation programs or provide for the continuous supervision of the client's investment portfolio. Certain third party asset managers will consent to clients imposing restrictions on particular types of securities.

### Financial Consultation Services

CIA provides financial consultation services which generally take the form of individualized financial planning, and proprietary educational programs through our learning center, the Institute for Financial Independence (Also available by subscription to independent investment advisers). When a client's needs and circumstances warrant, Capital Investment Advisors can also provide consultation and analysis services that are designed to resolve a single, unique situation. Clients may also engage CIA to provide plan review, modification, and general financial consultation on an annually renewable basis.

Our financial consultation services are collectively known as our Integrated Wealth Management Process ("IWMP"), which is a three-stage program we have designed to:

1. Educate clients about the financial environment, and help them articulate their personal and professional goals to gain an understanding the purpose of money in their lives.
2. Organize and assess the client's current financial situation to help integrate and optimize plans and strategies that can be implemented to help achieve their objectives.
3. Validate the ongoing effectiveness of the program's attainment of its stated objectives, and revise, renew, and recharge the client's strategic financial planning on a recurring basis.

### Educational Emphasis: The Introductory Workshop

A client's first exposure to Capital Investment Advisors'

consultation services will focus on familiarization with the financial environment. We will discuss at length how financial strategies and products work, and how they can fail. We will talk about what we believe to be common misconceptions that many people hold about strategies and products, and will attempt to illustrate how an understanding of these misconceptions can have a bearing on whether a client might stand to increase or lose potential wealth. Our goal in this process is to help make the client's financial environment understandable and transparent so that we might help our client more confidently make informed planning decisions.

Our representatives will lead the client through several exercises that have been designed to help the client identify and articulate their view of their personal financial situation. We will help the client to identify what dangers, opportunities, and strengths they see in their current situation, ascertain their personal and financial goals and objectives, and identify the obstacles that prevent the client from realizing their goals.

### **The Goals Driver Conversation**

The CIA Investment Advisor Representative will next lead the client through conversations about those personal and professional goals and objectives. We will help the client to explore how they might integrate their financial priorities with their personal and professional lives, while creating and implementing financial strategies to help achieve their goals and objectives.

We find this clarification process helps define the purpose of wealth in the client's life, and unmask any fears or apprehensions that they might have about their financial position. We believe that helping a client identify their own factors for success helps them to visualize their ability to achieve that success. Our initial consultation concludes with a discussion about CIA's financial planning programs. Our representative will help the client to determine which, if any, of the planning programs they may wish to pursue. No personal financial information is disclosed during the initial consultation session, and there is no charge for the client to attend the sessions.

## **Our Planning Process**

After completing the initial consultation sessions, a client may choose to have Capital Investment Advisors develop an individualized, Integrated Independence Method ("I2m") financial plan tailored to address the client's unique concerns. We offer three levels of financial planning services, which differ only by the scope, complexity, and cost of each. Our basic level of planning, the I2m Financial Coach, has been designed for individuals who are in the stage of life where they are accumulating wealth, and our planning process seeks to provide these clients with strategies and ideas that focus more on the growth of wealth. Our intermediate level of planning, the I2m Financial Counselor, has been designed for those individuals who face the need for distribution strategies for the wealth they have accumulated. For these individuals, our planning process seeks to provide tax effective and risk-averse strategies for sustaining the client's income needs. Our premium level of planning, the I2m Financial Concierge, has been designed for those clients who face the need for preserving and transferring their wealth, often situated across a complex financial landscape. For these individuals, our planning process focuses on an in depth analysis of asset ownership, projected estate taxation, and strategies to help the client preserve the greatest amount of their estate for transfer to their heirs and legacy's.

### **Fact Finder Session: Blueprint to Financial Freedom Worksheet**

Our planning process begins by gathering and documenting information about the client's investments, assets, and liabilities in order to assess the client's balance sheet, estate capital, and liquidity needs. This generally leads to a discussion about asset ownership and succession expectations. We document the household's income, payroll deductions, taxes, and expenses to gain an understanding of cash flow and assess tax exposure. The initial phase of our analysis will also include discussions about the client's short-term and long-term concerns, an assessment of risk tolerance, and a cataloging and review of the family's legal and financial documents.

### **Analysis: Identifying Your Inefficiencies**

Following the initial planning session, our

representatives will analyze the information and notes they have obtained from the client meeting to identify efficiencies, inefficiencies, fragmentation, and coordination that may be a part of the client's current plan. Our representative will seek to identify and evaluate alternative strategies. They will seek realignment of the financial plan's overall efficacy with the goal of improving the client's confidence level in being able to achieve their goals and objectives. Our representative will also review the client's financial products and services to determine if they work collectively and in an integrated manner, and to identify any potential lost opportunity costs or tax inefficiencies.

### **Presentation: The I2M Unique Conversation – Your Personal Financial Plan**

All of our financial planning programs result in a presentation of our representative's findings to the client. The scope, complexity, and comprehensive nature of the plan will be determined the financial planning level elected by the client. If our representative discovers unanticipated issues or concerns during the process of preparing the plan, the representative will contact the client to discuss the nature of the finding, discuss options which may or may not result in a higher fee than initially projected, and seek direction from the client before continuing with the plan preparation.

During the presentation, our representative will review where components of the client's existing plan appear to be on target. The representative will also discuss where the existing plan appears it might fall short of meeting the client's stated goals and expectations. Our representative will also point out where tax inefficiencies may have been found and where opportunity cost was identified. In presenting these discussions, our representative may rely upon one or more I2m Conversations to help illustrate a topic of consideration. These I2m Conversations are included as a part of the planning process.

### **I2M Four-Step Meeting**

If inefficiencies or opportunities are identified, our representative will recommend an action plan for moving forward that may suggest restructuring or repurposing parts of the existing plan. Our representative might also identify a need for strategies

or products that the client does not have in their current plan. These strategies or products could include savings programs, investment products or professional management, asset allocation, insurance, debt restructuring, and other approaches unique to the client's situation.

### **Your Personal Road Map**

In completing the presentation of the comprehensive financial plan, our representative will also discuss a suggested plan of action. Our implementation plan will catalog actionable items, recommend and seek agreement on the action, assign responsibility for addressing the item, set an estimated completion date, and provide for tracking results.

### **Implementation**

After the plan has been presented, the client may choose to implement our representative's recommendation. If a client chooses to implement any recommendations contained in the financial plan, we suggest that the client work closely with his or her attorney, accountant, insurance agent, and/or securities broker. The client is under no obligation to implement any or all of our recommendations, nor are they under any obligation to implement our recommendations through us.

### **Execution: 90 Day Follow-Up Meeting**

The client may choose to execute recommended investment advisory activities through our representative. The client may also choose to execute securities or insurance recommendations through our representative in his or her separate capacities as Registered Representatives of Cambridge Investment Research or agent with one or more insurance companies. The nature of these relationships are more fully described in "Item 10: Other Financial Industry Activities and Affiliation" found later in this brochure.

Client's should be aware that if they execute recommended advisory, securities, or insurance recommendations through them, our representative may earn commissions that are separate and distinct from fees charged for financial consultation services. In some instances, depending on the size of the transaction, we may offer to offset our fees by up to 50% in lieu of the earned brokerage commissions.

On occasion, we will prepare financial consultation plans limited to a specific concern. Our representative will follow a program similar to the one used for our I2m Financial Coach, Counselor, or Concierge programs. The scope of the discovery, analysis, and recommendations, however, will be limited to the identified concern. The plans will typically be priced on a fixed price or hourly fees structure, as discussed later in this brochure.

### **Annual Renewal Services Program**

After clients have implemented their I2m Financial Coach, Counselor, or Concierge plans, they may elect retain Capital Investment Advisors on an annual basis to revisit their plan, validate their assumptions and decisions, and revise elements of the plan as may be warranted.

### **Financial Coaching Program**

*Clients Age 20-40, (No Net Worth Minimum)*

Our I2m Financial Coach financial consultation renewal services continue to focus on individuals who are in the wealth accumulation stage of life. On an annual basis our representative will meet with the client to review their I2m Financial Coach plan. This session is conducted in a class room environment, where our representative will be providing tools and processes to help the client identify goals and objectives and measure results.

We will determine if the plan is still on target to address the client's goals and objectives. When warranted, our representative may make recommendations to revise the program. We continue our focus on education through a series of seminars, webinars, and presentations that occur throughout the year. Financial Coach renewal clients are invited to attend these sessions which continue our focus on how financial strategies and products and work, and how they can fail.

### **Annual Renewal Services Program**

*Clients Age 40-70 (Net Worth \$500,000 & Up)*

Our I2m Financial Counselor consultation renewal services continue to focus on the needs of individuals who are in or approaching the wealth distribution stage of life. Our representative will meet with the client on a semi-annual basis to validate the plan and its assumptions, and monitor its progress. For these

individuals, our planning process seeks to provide tax effective and risk-averse strategies for sustaining the client's income needs.

### **I2M Financial Concierge Program**

*Clients Age 60 & Up (Net Worth Minimum \$1,000,000)*

Our I2m Financial Concierge consultation renewal services, has been designed for those clients who face the need for preserving and transferring their wealth, often situated across a complex financial landscape. For these individuals, our planning process focuses on an in depth analysis of asset ownership, projected estate taxation, and strategies to help the client preserve the greatest amount of their estate for transfer to their heirs and legatees. Our representatives are limited to no more than 75 I2m Financial Concierge Clients.

### **CAPITAL Investment Advisors Money Management Program & Investment Advisory Services**

#### *Summary*

Capital Investment Advisors provides asset management services. Our Investment Adviser Representatives make recommendations for a third-party to provide investment management or will personally provide continuous supervision of underlying securities in a client's portfolio. Our representative may recommend portfolios that may include many types of investments including, but not limited to, common and preferred stocks, bonds, municipal securities, government securities, limited partnerships, mutual funds, unit investment trusts. These services are provided on a nondiscretionary basis, where portfolio recommendations are made to meet the Client's objectives and the Client decides whether to act on the recommendation.



### Third Party Multi-Manager Programs

Our representatives may provide asset allocation advice through various outside third party money management programs, including:

Cambridge Asset Allocation Platform (CAAP)

CIA Advisor Representatives may provide investment management services, defined as giving continuous investment advice to you and making investments based on your individual needs through brokerage accounts established at Cambridge. Through this program, your CIA Advisor Representative will be responsible for determining investment recommendations and responsible for implementing transactions. The CIA Advisor Representative shall actively manage your accounts in accordance with your individual needs, objectives and risk tolerance. These accounts may be managed on either a discretionary trading basis or non-discretionary trading basis as agreed to by you and your CIA Advisor Representative. In order to have trading authorization on your account, your CIA Advisor Representative must be granted limited power of attorney over that account.

CIA Advisor Representatives have the availability to utilize mutual funds that offer various share classes, including but not limited to shares designated as Class A Shares and Class I Shares. Generally, I shares are reserved for institutional investors and therefore may not always be available for a client's account. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Class I Shares (or other share classes).

AssetMark, Inc.

FTJ Fund Choice, LLC

SEI Advisors Network

The specifics of each TPAM, Third Party Managers, investment philosophy, strategies, and holdings are contained in each firm's ADV 2A or Wrap Fee Program Brochure disclosure documents.

### Assets Advised by Capital Investment Advisors

When Capital Investment Advisors provides asset management services, our Investment Adviser

Representatives make recommendations for a third-party to provide investment management or will personally provide continuous supervision of underlying securities in a client's portfolio. Any client we may advise is done so on a non-discretionary basis.

As of March 29, 2016, Capital Investment Advisors provided asset management services to 385 clients, with a combined asset value of \$114,288,843.

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## Item 5: Fees and Compensation

### Financial Consultation Services and Annual Renewal Services.

#### Fees We Assess:

Clients who elect to receive financial consultation services from Capital Investment Advisors will be assessed fees per the following schedule:

<i>Service Level</i>	<i>Initial Plan</i>	<i>Annual Renewal</i>
<b>I2M Financial Coach</b>	\$1,000	\$1,000
<b>I2M Financial Counselor</b>	\$1,500	\$1,500
<b>I2M Financial Concierge</b>	\$3,500	<i>Minimum Fee:</i> \$10,000*
*Available for Clients with Net Worth over \$1,000,000		

Clients selecting I2m Financial initial planning solutions will be asked to pay 50% of the anticipated plan preparation fee upon signing the Services Agreement. The client will be requested to pay the remaining balance upon completion and presentation of the plan.

Clients selecting either the I2m Financial Coach or Financial Counselor annual renewal services may elect to pay the entire amount in advance, or may elect to pay in monthly or quarterly installments in advance. Individuals selecting the I2m Financial Concierge annual renewal services will be invoiced quarterly in advance.

The fees calculated for I2m Financial Concierge annual renewal services will be offset by credits a client receives for asset management services paid to us. The fee may be further reduced by a credit equal a portion of the premium paid over the first two years on qualifying life insurance contracts purchased through the affiliated insurance activities for our representatives.

If the client presents a complex situation that requires significant research and preparation, a higher Integrated Independence Plan fee may be warranted. These additional charges will be discussed in advanced with the client.

We reserve the right to charge up to an additional \$500 for plans that are presented to clients at a location other than our offices.

The fees for unique consultation and analyses services are negotiated between the CIA Investment Advisor Representative and the Client, but generally range from \$500 per hour for a CIA firm principal, \$350 per hour for a CIA firm manager, \$200 per hour for a CIA firm senior associate, or \$150 per hour for a CIA firm associate. Fees may be assessed for the consulting project as either a set dollar amount or as a percentage of the fair market value of assets that are subject to the Agreement.

If a client elects to retain our representative to implement the recommendation of the plan, we may reduce to amount of our initial planning to provide credit for some or all of the investment advisory fees or product sales commissions our representative may earn through the implementation. Under certain situations, fees may be negotiable.

#### Our Fee Billing and Collection Process:

The initial installment payment for our I2m Financial initial planning is due at the time the client signs the planning agreement. The initial payment is generally one half of the full fee. The balance of payment due will be invoiced upon presentation of the plan to the client. Payment is expected within 30 days of the invoice.

The initial installment payment for our I2m Financial annual renewal services is due at the time the client signs the planning agreement. I2m Financial Coach or Financial Counselor annual renewal services may elect to pay the entire amount in advance, or may elect to pay the first monthly or quarterly installments in advance. Individuals selecting the I2m Financial Concierge annual renewal services will be expected to pay the first quarterly installment at the time they sign the agreement.

Thereafter, clients electing to pay for our I2m Financial annual renewal services on a periodic basis will be billed via invoice when payment is due. Payment is



expected within 30 days following the invoice. Capital Investment Advisors does not collect more than \$500 in fees six months in advance.

#### **Other Fees and Expenses a Client May Incur:**

It is not anticipated that a client will incur any additional fees and expenses in connection with our initial planning or annual renewal services. If we incur large postage or express deliver costs or, fees paid to obtain registered or certified copies of documents, we reserve the right to invoice the client for reimbursement of those costs.

If a client requests that our representative meet with the client's attorney, accountant, or other agent of the client to discuss our plan or any other matter relating to our counsel to our client, we reserve the right to bill an hourly fee for our services at the rates set out, above.

If a client repeatedly misses appointments scheduled with our representative without providing 24 hour advance notice, we reserve the right to bill an hourly fee for our services at the rates set out, above.

The investment advisory fee for accounts managed through the Cambridge Investment Management Platform is based on the amount of assets under management. The investment advisory fee is negotiable and is subject to discounts on a CIA Advisor Representative-by-CIA Advisor Representative, client-by-client, or account-by-account basis. These discounts may be a consideration for the CIA Advisor Representative when choosing a platform to recommend. The maximum allowable fee that can be charged may not exceed 1.65% of assets under management on an annual basis.

- Fees may be charged as a;
  - Flat Fee
  - Tier Fee Structure:

Under this fee structure, the assets could be billed at more than one fee rate.

Example: An account is billed under the following Tiered fee Structure and the account has a billable market value of \$500,000

\$0 - \$100,000 @ 1.50%

\$100,000- \$250,000 @ 1.25%

Above \$250,000 @ 1.00%

This account would have the first \$100,000 in AUM billed at 1.50%

The next \$150,000 would bill at 1.25%

The remaining \$250,000 would be billed at 1.00%

#### **Breakpoint Fee Structure:**

Under this fee structure, the assets in the account will all bill under one rate.

Example: Using the same billing scenario with an account that has \$500,000 in billable market value and has the following breakpoint fee structure:

\$0-\$100,000 @ 1.50%

\$100,000- \$250,000 @ 1.25%

Above \$250,000 @ 1.00%

Since the account has \$500,000 in this example, the entire \$500,000 would be billed at 1.00%

Fees may be charged in advance or in arrears depending upon the agreement between you and your CIA Advisor Representative. The frequency of fees is determined between you and your CIA Advisor Representative and is documented in the appropriate CIA Agreement. CIA reserves the right to calculate fees either on the basis of the market value of the account(s) on the last day of the previous quarter if fees are billed in advance or on the last day of the quarter in which services were rendered if fees are billed in arrears. You should discuss with your CIA Advisor Representative the fee calculation formula in effect at the time you establish your account(s), and will be notified in writing of any change.

Set-up Fees - Depending on the complexity and structure of the investment management strategy selected by the client, a one-time, non-refundable charge intended to cover such services as initial portfolio review and analysis, evaluation of a client's personal and financial goals, risk tolerance, investment objectives, product research, selection of an appropriate investment management strategy and completion by the client's CIRA Advisor Representative of the documents required by CIRA to establish an account may be charged.

The set-up fee:

Will be the lesser of one percent (1%) or \$1,000.00.

Will not exceed 3% of assets under management.

**Ancillary Fee** - The annual Ancillary Fee allows for the bundling of certain ancillary expenses including but not limited to; statement fees, confirmation fees, wire transfer fees, IRA Annual Maintenance fees and check writing fees. Bundling certain ancillary fees provides the client with an opportunity to pay one fee annually versus these fees being applied individually. This option is provided as a convenience to the client and is determined on a CIA Advisor Representative-by-CIA Advisor Representative and client-by-client basis. This Ancillary Fee will be debited annually in advance (once a year) and will increase the annual account investment advisory fee listed on the CIA Agreement for Investment Management Services ("AIMS"). The initial Ancillary Fee will be debited on the first day of the next calendar month following the date of this agreement and will be reflected in the normal billing cycle. In the event of termination of the Agreement, the annual Ancillary Fee will not be refunded. Clients may pay more or less than if paying individually for said Ancillary Fees. The Ancillary Fee does NOT include ticket charges.

**Service Fee** – A service fee may be deducted from a client account with the amount not to exceed \$300. This fee is a fixed amount that includes administration, performance reporting, cost basis reporting and various other account reports. The fee may be charged in advance or in arrears depending upon the agreement between you and your CIA Advisor Representative. The frequency of the fee is also determined between you and your CIA Advisor Representative and is documented on the appropriate CIA Agreement.

Additional deposits of funds may be subject to a fee when deposited on a date other than the last day in a reporting period. The fee for additional deposits may be pro-rated for the remainder of the reporting period. This fee is determined on a CIA Advisor Representative by CIA Advisor Representative or account-by-account basis. You should discuss with your CIA Advisor Representative if or when this fee may apply to your accounts.

Fees are typically deducted directly from your account. You must provide the custodian with written authorization to have fees deducted from the account and paid to CIA. The custodian will send you statements, at least quarterly, showing all disbursements for the account including the

amount of the advisory fee, if deducted directly from the account. It is CIA and your responsibility to verify the accuracy of fee calculations and the qualified custodian will not determine whether the fee has been properly calculated. Upon approval from CIA, you may pay fees via direct invoice. If you are paying via invoice, fees shall be due upon receipt of the invoice.

You will incur charges imposed by third parties other than CIA in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity/insurance fees and surrender charges, and IRA and qualified retirement plan fees. For accounts held through Pershing, Cambridge will annually receive from Pershing a portion (\$2.50) of the IRA maintenance fee paid by the client to Pershing.

### **Refund of Pre-Paid Fees:**

Upon termination of any financial consultation annual renewal services arrangement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **Asset Management Services:**

Capital Investment Advisors provides asset management services through third-party multi-manager programs. We also provide continuous supervision over investment portfolios on a discretionary or non-discretionary basis.

Clients who participate in Third Party Multi-Manager Program services are charged a fee based on a percentage of the fair market value of the client's assets subject to these services. Fees and the timing of their payment vary depending on the particular Third Party Multi-Manager Programs sponsor. In some cases, fees are negotiable, so clients should discuss with their representative the fee appropriate for their individual services. Fees charged to client by the sponsor are shared with us and our representative. A full and complete description of the program fees is provided in the sponsor's Wrap Fee Brochure. Client's participating in any of our Third Party Multi-Manager Programs will be provided with, and should review, the sponsor's Wrap Fee Brochure prior to investing.

Third Party Multi-Manager Programs sponsor

standard annual management fees are typically charged on a declining scale, generally with the highest fee tier applying to the first \$250,000 of client assets, and then reducing in charge for the next \$250,000, the next \$500,000, and lowest charge applicable to all assets above \$1,000,000. All account fees and platform fees are negotiable and subject to discounts. These discounts may be a consideration for our representative when choosing a platform to recommend.

Multiple accounts for a client or a member of the client's family may be considered together for the purposes of determining lower fee tiers on the assets. This consideration is known as house holding, and may be elected by our representative. Generally, the highest fee assessed by any Third Party Multi-Manager Program sponsor is 2.25%. This fee may be assessed for the program and the investment strategist, or may be divided to be assessed by both the program and the strategist depending up the program selected by the client. This fee does not include custodial fees, any qualified plan annual maintenance fees, fund fees that may be assessed at the investment fund level, or trading and processing fees. Our representative will discuss the Third Party Multi-Manager Programs sponsor annual management fees before the client selects a program.

The account fee charged to clients is shared by Third Party Multi-Manager Programs sponsor, its investment strategist, us, and our representative. Capital Investment Advisors' share of the fee ranges by client portfolio size, from 0.67% to 1.40% of the assets invested under our Third Party Multi-Manager Programs. Often Capital Investment Advisors will also assist clients with accounts that may not be under a Third Party Manager Program such as a client's 401(k) or retirement account. Under these arrangements, Capital Investment Advisors does not impose an asset management fee. However, for those clients who do not have other assets under our management, Capital Investment Advisors may impose a flat fee of \$250 for asset allocation and fund research services.

#### **Our Fee Billing and Collection Process:**

Each client will receive a billing notice or invoice from the Third Party Multi-Manager Programs sponsor or the custodian showing the amount of the management

fees charged for the period, the value of the account assets on which Program Fees are based, and the manner in which the Program Fees were calculated.

Third Party Multi-Manager Programs sponsor fees are generally billed on a quarterly basis, starting at the inception of the account. Fees are calculated based on the fair market value of the assets being managed. We and our Investment Adviser Representative will share in the fees, pursuant to the arrangement established with the Third Party Multi-Manager Programs sponsor.

Capital Investment Advisors' maximum fee charges for discretionary or non-discretionary asset management are reflected in the following table. Because Capital Investment Advisors works with over 30 different asset managers the fee schedule combinations are too numerous to list. Each client will receive a specific fee schedule that details what Capital Investment Advisors makes and what the third party manager makes. All fees earned by Capital Investment Advisors are part of the overall asset manager fee and not in addition to the asset manager's fees.

#### **Other Fees and Expenses a Client May Incur:**

Depending upon the advisory program selected, the client pays for certain transaction charges, if any. There may also be charges imposed by the Third Party Multi-Manager Programs sponsor clearing broker-dealer or other services providers that are passed on to the client. These may include, but are not limited to, transaction charges and service fees, IRA, and qualified retirement plan fees, custodial fees, and other charges that may be required by law.

We and our representative may receive a portion of these fees. Depending upon the Third Party Multi-Manager Programs sponsor and the specific client circumstances, clients may negotiate the amount of securities transaction charges with our representative. Negotiation of such fees and charges is not, however, generally available with every Third Party Multi-Manager Programs sponsor.

A full and complete description of these fees is provided in the sponsor's Wrap Fee Brochure. Client's participating in any of our Third Party Multi-Manager Programs will be provided with, and should review, the sponsor's Wrap Fee Brochure prior to investing.

### **Refund of Pre-Paid Fees:**

Our Third Party Multi-Manager Program advisory contracts are terminable upon prior written notice by either party to the contract. Upon termination of an advisory contract, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **Potential for Fee-Related Conflicts of Interest:**

Clients should understand that we and our representatives shall be entitled to and will share in the fees payable under the specific Programs as described in this brochure.

Clients should be aware that when assets are invested in shares of mutual funds or exchange trade funds (ETF's), clients will pay both the direct management fees to us through the Third Party Multi-Manager Program for the investments and, indirectly, their pro-rata share of the management and other fees paid by the mutual fund or insurance product.

A Client may be able to invest directly in the mutual fund's shares or the ETF's shares without incurring the fees charged by the Third Party Multi-Manager Program.

A Client may be able to invest directly in the mutual fund's shares without incurring fees charged by the Third Party Multi-Manager Program sponsors for asset allocation and direct continuous supervision of underlying securities in a client's portfolio, but would forego professional investment management over the portfolio.

Our representatives may make recommendations to clients regarding mutual funds, general securities, life insurance, variable insurance products, or other investment products. In their separate role as a registered representative of Cambridge Investment Research, our representative will receive commission for the sale of these products to the client.

When these transactions occur as a result of implementing an I2m Financial Consultation Services initial plan, the situation may present a potential conflict of interest because our representative may have a greater incentive to recommend investments that provide such additional compensation to us and our representative, rather than those that meet a client's needs.

When such situations occur, we may discount the amount we charge for the I2m Financial Consultation Services initial plan. These activities yield less than 50% of our representatives' earnings.

It is standard practice that the decision to utilize retail brokerage services over Investment Advisory services is usually dependent upon the client's account size or tax situation. In order to utilize investment advisory services, the account value must meet the minimum required amount imposed by third party asset managers.

Clients generally do not pay a transaction charge for Class A Share mutual fund transactions in non-retirement accounts, but generally do pay transaction charges for Class I Share (or other share classes) mutual fund transactions. Clients may avoid or lower the transaction charge by purchasing a Class A Share mutual fund in a non-retirement account, however the share class may be more expensive to the client over time because of the ongoing 12b-1 fee. Clients may pay a higher transaction charge for a Class I Share; however, the share class may be less expensive to the client over time. Clients should discuss and understand these additional indirect expenses borne as a result of the mutual fund fees.

Investment advisory fees charged by CIA which may or may not include transaction ticket fees charged by Cambridge, NFS or Pershing are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company's security prospectus. CIA's Advisor Representatives, in their separate capacity as Registered Representatives of Cambridge, and acting in full compliance with the Cambridge and CIA compliance policies and procedures, retain a portion of the commissions charged to you. While not an exhaustive list, an example of these commissions could be mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges and IRA and qualified retirement plan fees. When managing ERISA and qualified accounts, the CIA Advisor Representative must lower or offset the investment advisory fee by the amount of 12b-1 fees and other commissions received in the event such types of commissions are received by the CIRA Advisor



Representative in his/her individual capacity as a Registered Representative of Cambridge.

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

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Capital Investment Advisors and its Investment Advisor Representatives assess fees only as previously described in Item 5: Fees and Compensation, found earlier in this brochure.

Neither we nor our representatives assess or accept performance-based fees - that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

As more fully described in our Third Party Multi Manager sponsors' Wrap Fee Disclosure, Third Party Multi Manager strategists seek to use load-waived, no-load, and institutional class shares when mutual funds are used to implement their portfolio selections.

Other than fee arrangements for asset management services fully described in Item 5 - Fees and Compensation, neither we nor any representatives of Capital Investment Advisors receive direct or indirect compensation for third party multi manager platform advisors that we may recommend.

## Item 7: Types of Clients

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We provide investment advice and Financial Planning Advice to:

- ❖ Individuals
- ❖ High Net Worth Individuals
- ❖ Pension & Profit Sharing Plans
- ❖ Trusts, Estates, and Charitable Non-Profit Organizations
- ❖ Foundations
- ❖ Corporations or other businesses not listed above

We have a negotiable minimum client relationship, depending on the program. Traditionally, our minimum for Client Advisory Accounts is \$25,000.

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

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When Capital Investment Advisors provides asset management services, our Investment Adviser Representatives generally make recommendations for a Third Party Multi-Manager Program to manage the direct continuous supervision of underlying securities in a client's investment portfolio. We do not provide continuous supervision directly over investment portfolios.

Our representative may recommend portfolios that may include many types of investments including, but not limited to, common and preferred stocks, bonds, municipal securities, government securities, limited partnerships, mutual funds, unit investment trusts. The Third Party Multi-Manager Program investment strategist will select from among these investment types to construct several model portfolios designed to range from lower to higher levels of risk.

The securities that make up the model portfolios are subject to market risk of loss that clients should be prepared to bear. The companies in whose securities the model portfolios are invested are also subject to business, credit, and economic risks. Through their evaluation and selection of securities, the Third Party Multi-Manager Program investment strategist attempts to match these market, credit, business, and economic risks to the risk level of the model portfolio.

When we prepare an I2m Financial Consultation Services plan, our representative will present a client's cash needs and financial objectives in five year time segments over the next twenty years of the plan. The client's immediate needs are addressed in the first time segment. Through our planning process, our representative will have attempted to identify the amount of funds that should be included in this initial segment. As these needs are immediate, we attempt to place these funds in minimal risk investments. These investments may include savings accounts, certificates of deposit, US Government securities, or fixed rate annuities for example.

In the second time segment of the plan, our

representative projects how much it will cost to replace the immediate five year needs if purchased five years from now. This amount will be adjusted for taxes, inflation, and additional needs the client may have during the 5th to 10th year of their plan. Our representative will then attempt to select a low risk model portfolio from one of the Third Party Multi-Manager Program that matches the level of risk appropriate to the needs of this 5th to 10th year segment of the plan.

Our representative will then repeat the risk matching process for the 10th to 15th year segment and the 15th to 20th year segment of the plan, increasing the level of risk on each level to help smaller pools of funds enjoy the potential benefit higher returning investments to grow each segment of the plan.

For funds not deployed for use in the five-year pools, our representative will recommend a more aggressive deployment of investments, using the riskier Third Party Multi-Manager Program model portfolios to provide the most potential for longer term market growth.

Our approach cannot be guaranteed to achieve our client's objectives, and there is a chance our risk-matched investment pools may not recognize the level of growth needed to replace cash flow when needed. There is a chance a client may lose some or all of their investment, and the past market results cannot guarantee future result.

CIA Advisor Representatives have the availability to utilize mutual funds that offer various share classes, including but not limited to shares designated as Class A Shares and Class I Shares. Generally, I shares are reserved for institutional investors and therefore may not always be available for a client's account. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Class I Shares (or other share classes).

## Item 9: Disciplinary Information

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Capital Investment Advisors has no disciplinary events or matters to disclose.

## Item 10: Industry Activities and Affiliations

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### Relationships or Arrangements Material to Our Advisory Business

Neither we, nor any management person, nor any of our representatives are registered or have an application pending to register as a Broker/Dealer, a Futures Commission Merchant, a Commodity Pool Operator, or a Commodity Trading Advisor, nor an associated person of the foregoing entities except investment advisor representatives of Capital Investment Advisors are associated persons of the broker-dealer Cambridge Investment Research, Inc..

### Broker/Dealer Relationship

Investment Advisor Representatives of Capital Investment Advisors are Registered Representatives of Cambridge Investment Research, Inc. ("CIR"), a securities broker-dealer, a member of the Financial Industry Regulatory Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC").

Approximately 25% of an Investment Advisor Representative's time may be engaged in this activity.

As a broker-dealer, CIR engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by us or our representative, investments in securities may be recommended for clients. If CIR is selected as the broker-dealer, it may affect transactions in securities for our clients or those of our representatives.

By serving as the broker-dealer, CIR and its Registered Representatives, including our representatives, may receive commissions for executing securities transactions. When commissions are received by our representatives in connection with the advice given to advisory clients, we may reduce its fee by the amount of the commission earned by our representatives.

Clients are advised that if CIR is selected as the broker-dealer, the transaction charges may be higher or lower than the charges the client may pay if the transactions were executed at other broker-dealers. Clients should note, however, that they are under no obligation to purchase securities through our representatives or



CIR.

Moreover, clients should note that under the rules and regulations of the FINRA, CIR has an obligation to maintain certain client records and perform other functions regarding aspects of the investment advisory activities of its Registered Representatives. These obligations require CIR to coordinate with, and have the cooperation of, its Registered Representatives that operate as or are otherwise associated with investment advisers.

Accordingly, CIR may limit the use of certain custodial and brokerage arrangements and may collect as paying agent for us the investment advisory fees remitted to us by the account custodians. CIR may retain a portion of the investment advisory fee so remitted as a charge for the functions it performs and such portion may be further distributed to other registered representatives of CIR. The charge will not increase the brokerage charges to the client or the fee the client has agreed to pay us.

#### **Other Investment Advisor Relationship**

Capital Investment Advisors is affiliated through both ownership and control with Capital Financial Planning Group, Inc. (CFP). CFP is disclosed as an Other Business Name for Capital Investment Advisors. CFP is a firm through which our Investment Advisor Representatives that are also Registered Representatives of CIR may choose to market financial planning services.

The educational emphasis of Capital Investment Advisors' financial consultation services is marketed as the Institute for Financial Independence (IFI). IFI is disclosed as an Other Business Name for Capital Investment Advisors. Through common affiliation and ownership, we have developed the IFI Advisory Network as a sales training and presentation process that we sell to other financial professionals who may or may not be affiliated with CIR.

#### **Insurance Agency Relationship**

In addition, our Investment Advisor Representatives may also be licensed insurance agents. We or our Investment Advisor Representatives may receive compensation for their/its activities as Registered Representatives or insurance agents.

Approximately 20% of the time of our representatives is spent in connection with these activities.

Our Investment Advisor Representatives are appointed with various life, disability, and other insurance companies. As such, we or our representatives may recommend the products offered by these insurance companies. If clients purchase these products through our representatives, we or our Investment Advisor Representatives may receive the normal commissions or fees for effecting such sales. When commissions or fees are received by us or our representatives in connection with the advice given to advisory clients, we may reduce our fee by the amount of the commission or fee earned by us or our representatives. However, clients should note that they are under no obligation to purchase any life, disability, or other insurance product through us or our Investment Advisor Representatives.

We are affiliated through both ownership and control with Capital Insurance Group, Inc. (CIG), a licensed insurance broker in the District of Columbia. We are also affiliated through both ownership and control with AGI Financial Services, Inc. (AGI), a licensed insurance broker in the District of Columbia, and the predecessor to Capital Asset Management Group. However, as soon as all of AGI's business has been transferred to CIG, this entity will be terminated.

Capital Investment Advisors is affiliated through both ownership and control with the following entities:

Capital Asset Management Group, Inc. - the administrative servicing company for all companies affiliated with Capital Investment Advisors. Approximately 3% of an Investment Advisor Representative's time may be engaged in this activity

Our clients may be referred to any of these listed entities and vice versa. However, no referral fees of any kind will be paid by any entity for said referrals. No client is obligated to use any of these listed entities for separate services.

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

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## Code of Ethics

Although Capital Investment Advisors is a state-registered adviser, it has adopted a Code of Ethics designed to meet the requirements of SEC Rule 204 (A) (1). CIA monitors the personal securities transactions of its employees, officers, directors, and IARs. The Code of Ethics sets forth standards of conduct and addresses potential conflicts of interest among CIA, CIA's employees and agents, and CIA's advisory clients. All CIA clients may request a free copy of CIA's Code of Ethics by mailing a written request to:

Capital Investment Advisors, Inc.  
Attn: Investment Advisory Compliance  
4800 Montgomery Lane  
Hampden Square M25  
Bethesda, Maryland 20814

## Potential Conflicts of Interest

Occasionally, our Investment Advisor Representatives may buy or sell for themselves securities that may also be selected by Third Party Multi-Manager Program investment strategist for use in a client's investment portfolio. Prior to effecting such transactions, our representatives are required to disclose their interest in such transactions. Mutual fund transactions, however, may be made by our representatives for their own accounts without disclosure to the client. However, such transactions are not effected when they are adverse to the client's interests.

If a financial consultation services client executes recommended securities transactions through our Investment Advisor Representatives in his or her separate capacities as Registered Representatives of CIR, these individuals will earn commissions that are separate and distinct from fees charged for advisory services. In some instances, depending on the size of the transaction, we may offer to offset our fees by up to 50% in lieu of the Insurance brokerage commissions so

earned. Commissions will not be credited towards future advisory fees. (Refer to Item 5)

The client has no obligation to implement any such recommendation through us, our representatives, or our affiliates. If a client chooses not to pursue implementation of the a financial consultation services plan through us, the client will still be obligated to pay the stated fee for the plan's preparation.

Cambridge is a participant in Pershing's FUNDVEST® ticket charge program. This program offer clients no-load mutual funds with no transaction fees. Through formal agreements, Cambridge, not Capital Investment Advisors or its affiliated companies, is eligible to receive revenue sharing participation for assets that are held within this program. Restrictions may apply in certain situations.

CAAP portfolios consist almost exclusively of load-waived and no-load funds that are included within the Pershing FUNDVEST® program. Through this program and others, such as Rydex, Russell, and M&I, the custodians do provide additional compensation (not to exceed 30 bps) to CIRA on the basis of total assets under management for distribution, marketing expenses, and operational expenses.

Advisors, through their dual role as both registered representatives and investment advisor representatives may also act as a solicitor of third party asset managers or asset allocators in certain circumstances, these firms may agree to share a portion of their management fees with our representatives as opposed to other managers that have not agreed to pay compensation to advisors. This may create a conflict of interest in such that representatives may share in a larger portion of management fees over another manager. In these instances, clients may be able to obtain the same services from the firms directly at cost: either higher or lower than obtaining these services through Capital Investment Advisors or Cambridge Investment Management Research (CIR).

Clients should be aware that Capital Investment Advisors and its affiliates, and/or any partners, officers, directors, agents, or employees will act as an investment adviser for other persons or entities; and we and our affiliates and/or any partners, officers, directors, agents, and employees will effect

transactions in securities for their own accounts, or for the accounts of others, to the extent permitted by law.

Clients should also be aware that we and our affiliates have investment responsibilities, render investment advice to, and perform other investment advisory services for other individuals and entities (“Other Portfolios”), and that we and our affiliates and/or their partners, directors, officers, agents, and employees may buy, sell or trade in any securities for their respective accounts (“Affiliated Portfolios”).

We and our affiliates may give advice or exercise investment responsibility and take such other action with respect to Other Portfolios and Affiliated Portfolios which may differ from the advice given, or the timing or nature of the action(s) taken, with respect to the client’s portfolio; provided that they act in good faith, and provided further that it is their policy to allocate, within their reasonable discretion, investment opportunities to the client’s portfolio over a period of time on a fair and equitable basis relative to the Other Portfolios and the Affiliated Portfolios, taking into consideration the cash position and the investment objectives and policies of the client.

It is further understood that Other Portfolios or Affiliated Portfolios may have investment positions in which the client’s portfolio may have an interest, whether in transactions which involve the client’s portfolio or otherwise. Neither we, nor our affiliates shall have any obligation to acquire for the client’s portfolio a position in any investment, which the Other Portfolios and/or Affiliated Portfolios may acquire, and the client shall have no first refusal, co-investment, or other rights in any such investment.

For District of Columbia Residents: Sec.1811.1(j) of DC Rules requires us to disclose that lower fees for comparable services may be available from other sources, and (k) requires us to indicate that all material conflicts of interest have been disclosed to the client in writing (via the disclosure provided in this Form ADV, Part II), which relate to the adviser or any of its employees which could cause us to not render unbiased and objective advice.

## Item 12: Brokerage Practices

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When Capital Investment Advisors provides asset management services, our Investment Adviser Representatives make recommendations for Third Party Multi-Manager Programs or personally provide investment management and continuous supervision of the client’s investment portfolio.

For third party money managers, the executing broker/dealer is predetermined by the terms of the program, as more fully described in the respective program descriptions provided in the sponsor’s Wrap Fee Brochure. Client’s participating in any of our Third Party Multi-Manager Programs will be provided with, and should review, the sponsor’s Wrap Fee Brochure prior to investing.

As stated CIA may manage managers of asset programs who in turn choose the broker dealer that executes transaction orders or CIA may provide advisory services on a discretionary or non-discretionary basis. CIA recommends custodians.

Custodians/broker-dealers will be recommended based on CIA’s duty to seek “best execution,” which is the obligation to seek to execute securities transactions for a Client on terms that are the most favorable to the Client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and CIA may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of CIA. CIA will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian. Interactive Brokers is recommended by FIRM.

### 1. Research and Other Soft-Dollar Benefits

CIA receives research, products, or other services from its custodian or other third-parties in connection with

client securities transactions (“soft dollar benefits”). There is no minimum client number or dollar number that CIA must meet in order to receive free research. There is no incentive for CIA to direct clients to any custodian or broker-dealer who offer the same services. However, because this firm does not have to produce or pay for services or products it has an incentive to choose a custodian that provides those services based on its interests rather than the clients’ interests. The first consideration when recommending custodians to clients is best execution. CIA always acts in the best interest of the client.

2. Brokerage for Client Referrals

CIA receives no referrals from custodians or third parties in exchange for using that custodian or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

CIA will allow clients to direct brokerage; however, CIA may recommend custodians. CIA may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost a client money because without the ability to direct brokerage CIA may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

Aggregating (Block) Trading for Multiple Client Accounts

CIA maintains the ability to block trade purchases and sales across accounts. When more than one account is

trading a particular stock or ETF on the same day, block trading may be used to get identical pricing on the trades. Declining to block trade can cause more expensive trades for clients.

Non-Investment Advisory Accounts Established through Cambridge’s CIR

If clients wish to have CIA’s Advisor Representatives implement advice in their capacity as Registered Representatives or through an investment management program that uses NFS or Pershing (including the Investment or Fund Vest Wrap-Fee Program), then CIA’s affiliated broker/dealer, Cambridge, must be used. Advisor Representatives of CIA that are also

Registered Representatives of Cambridge are required to use the services of Cambridge and Cambridge’s approved clearing broker/dealers when acting in their capacity as Registered Representatives. Cambridge serves as the introducing broker/dealer. All accounts established through Cambridge will be cleared and held at either NFS or Pershing. CIA and Cambridge are not related or affiliated with NFS or Pershing.

Cambridge has a wide range of approved securities products for which Cambridge performs due diligence prior to selection. Cambridge’s Registered Representatives are required to adhere to these products when implementing securities transactions through Cambridge.

CIA’s requirement to use Cambridge is based on CIA’s decision that Cambridge can provide efficient and cost-effective services through its affiliated broker/dealer. The requirement to use NFS and Pershing is based on the fact that Cambridge has established clearing agreements with NFS and Pershing as its preferred clearing broker/dealer and qualified custodian. The decision to use NFS and Pershing is mutually determined by both Cambridge and CIA. The decision to use NFS and Pershing is based on past experiences, minimizing commissions and other costs as well as offerings or services NFS and Pershing provides that Cambridge, CIA or clients may require or find valuable services such as online access.

Other services include, but are not limited to, account custody, trade execution services, clearing services for, access to information and, for a fee, electronic trade

entry and account information look-up services for Registered Representatives and clients, record-keeping services, exception reporting and access to various financial products, including “No Transaction Fee” mutual funds (“NTFs”).

NTFs are standard mutual funds that may be purchased for investment advisory accounts at no cost, the CIA Advisor Representative or the client. Clients should be aware, however, that mutual funds in this NTF program may have higher internal expenses than mutual funds that are not in the NTF program. Clients may pay commissions to Cambridge, NFS and Pershing that are higher than those obtainable from other Broker/Dealers in return for products and services offered through CIA and Cambridge.

Cambridge enters into specific arrangement with product sponsors and other third parties. CIA Advisor Representatives may offer a wide variety of products and programs including mutual funds, annuities, life insurance, and investment wrap programs (collectively referred to as “Approved Product Companies”).

Cambridge and CIA have entered into various arrangements with some Approved Product Companies referred to as revenue sharing arrangements. Although CIA and Cambridge endeavor at all times to put the interest of its clients ahead of its own or those of its officers, directors, or representatives (“affiliated persons”), these arrangements could affect the judgment of Cambridge or its affiliated persons when recommending investment products.

These situations present a conflict of interest that may affect the judgment of our affiliated persons. Please review the CIA and Cambridge Revenue Sharing Disclosure located at [www.cir-info.com](http://www.cir-info.com) for further information about any of CIA’s revenue sharing arrangements. It is also available upon written request.

As mentioned above, Cambridge is a participant in Pershing’s FUNDVEST® ticket charge program, and NFS’ FUNDSMART® Select ticket charge program, through these programs Cambridge receives revenue sharing participation.

For accounts held through Pershing, Cambridge will annually receive from Pershing a portion (\$2.50) of the IRA maintenance fee paid by the client to Pershing.

In some instances Cambridge Investment Research, Inc. may receive additional compensation in the way of a broker/dealer concession for the trading of certain fixed income investments. This additional concession is not applied to fixed income transactions within an investment advisory account.

Accounts will be cleared and custodied at National Financial Services, LLC (“NFS”) or Pershing, LLC (“Pershing”). The decision to use NFS or Pershing is made in conjunction with your CIA Advisor Representative. Generally, a CIA Advisor Representative will use one of the custodians and not the other. However, depending on your needs, only one of the custodians may be a viable option. For example, one custodian may be recommended when you are in need of an individual 401(k) account because that custodian offers active management of 401(k) accounts on a platform that may not be currently available on the other custodian’s platform. Cambridge serves as the introducing broker/dealer for all accounts through this investment management platform and clears securities transactions on a fully disclosed basis through NFS and Pershing.

Various investment strategies are provided through this service; however, a specific investment strategy or investment policy is determined to focus on your specific goals and objectives. Investment strategies and philosophies used within the Cambridge platform vary based on the CIA Advisor Representative providing advice.

Models and strategies used by one CIA Advisor Representative may be different than strategies used by other CIA Advisor Representatives. Some CIA Advisor Representatives limit their advice to mutual funds while others will provide advice on a full range of securities that include but are not limited to equities, mutual funds, options, fixed income and alternative investments. Some CIA Advisor Representatives may develop models or strategies that are generally applied across their clients while other CIA Advisor Representatives will develop truly individualized portfolios for each client.

CIA Advisor Representatives have the availability to



utilize mutual funds that offer various share classes, including but not limited to shares designated as Class A Shares and Class I Shares. Generally, I shares are reserved for institutional investors and therefore may not always be available for a client's account. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Class I Shares (or other share classes).

Clients generally do not pay a transaction charge for Class A Share mutual fund transactions in non-retirement accounts, but generally do pay transaction charges for Class I Share (or other share classes) mutual fund transactions. Clients may avoid or lower the transaction charge by purchasing a Class A Share mutual fund in a non-retirement account, however the share class may be more expensive to the client over time because of the ongoing 12b-1 fee. Clients may pay a higher transaction charge for a Class I Share; however, the share class may be less expensive to the client over time. Clients should discuss and understand these additional indirect expenses borne as a result of the mutual fund fees.

Investment advisory fees charged by CIA which may or may not include transaction ticket fees charged by Cambridge, NFS or Pershing are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company's security prospectus. CIA's Advisor Representatives, in their separate capacity as Registered Representatives of Cambridge, and acting in full compliance with the Cambridge and CIA compliance policies and procedures, retain a portion of the commissions charged to you. While not an exhaustive list, an example of these commissions could be mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges and IRA and qualified retirement plan fees. When managing ERISA and qualified accounts, the CIA Advisor Representative must lower or offset the investment advisory fee by the amount of 12b-1 fees and other commissions received in the event such types of commissions are received by the CIRA Advisor Representative in his/her individual capacity as a Registered Representative of Cambridge.

Cambridge is a participant in Pershing's FUNDVEST® ticket charge program, and NFS' FUNDSMART® Select ticket charge program. These programs offer clients no-load mutual funds with no transaction fees. Through formal agreements Cambridge is eligible to receive revenue sharing participation for assets that are held within these programs. Restrictions may apply in certain situations. Both Pershing's FUNDVEST® and NFS' FUNDSMART® can be used in the CAAP® and/or CIRA's Investment Management Services.

## Item 13: Review of Accounts

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Capital Investment Advisors has established an annual renewal process for our financial consultation services. Depending on the level of service selected, a client's financial plan will be reviewed with the client at least annually, or as frequent as quarterly. This review will be conducted by one of our Investment Advisory Representatives. Presentation material used during the review, and correspondence documents a recap of actions to be taken are reviewed by the firm's chief compliance officer.

During this plan renewal process, our representative will determine if the client has experienced any lifestyle or financial changes that would warrant modification to the plan, review if the components of client's plan, including the performance of any Third Party Multi-Manager Programs, appear to be on track toward meeting the goals and objective, and, if warranted, will recommend changes or modification that might be beneficial.

On a less formal basis, our representative will similarly review the financial plan when addressing a question a client might arise outside the normal review cycle.

When Capital Investment Advisors provides asset management services, our Investment Adviser Representatives make recommendations for Third Party Multi-Manager Programs or personally provide investment management and continuous supervision of the client's investment portfolio. Investment strategists employed in these programs have developed various programs to help them supervise investments within the portfolio, and make changes as warranted. The method by which these reviews are conducted is



more fully described in the respective program descriptions provided in the sponsor's Wrap Fee Brochure. Client's participating in any of our Third Party Multi-Manager Programs will be provided with, and should review, the sponsor's Wrap Fee Brochure prior to investing. Our Investment Adviser Representatives will conduct quarterly reviews on all accounts whether managed by a third party or Capital Investment Advisors.

Clients who participate in most of our Third Party Multi-Manager Programs will receive a statement from the sponsor's custodian at least quarterly and in some cases more frequently. These statements will disclose investment holdings and a record of transaction activity. Clients will also receive statements from the Third Party Multi-Manager Program that will present holdings, activity, fees, and performance. Most programs will submit statements to the client on a quarterly basis. The CAAP program submits an annual statement. In most cases, clients may elect to receive printed or electronic copies of their statements.

Capital Investment Advisors provides account aggregation reporting to clients electing one of our financial consultation services annual renewal programs. These reports are typically provided via secure online resources.

## Item 14: Client Referrals and Other Compensation

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Capital Investment Advisors attempts to maintain a network of attorney, accountant, mortgage broker, and benefit plan administrator professionals who might aid our clients in need of such of their services.

We do not receive any form of compensation of other economic benefit from them for referrals we may make to them, nor do they receive any form of compensation of other economic benefit from us for referrals they may make to us.

## Item 15: Custody

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Capital Investment Advisors does not provide continuous supervision directly over investment portfolios, thus we do not, nor do we have need to engage any other firm to serve as the custodian for client accounts. We accept securities and checks from clients solely for the immediate transmittal to custodians or other product vendors. Money is disbursed from client accounts solely upon the client's written authorization.

Capital Investment Advisors does not accept client securities and if inadvertently sent in the securities will be returned to the client immediately. Any checks sent into Capital Investment Advisors will be forwarded to the custodian for deposit into the client's account. Proper documentation will be kept.

When Capital Investment Advisors provides asset management services, our Investment Adviser Representatives make recommendations for Third Party Multi-Manager Programs to provide investment management and direct continuous supervision of underlying securities in a client's portfolio. These Third Party Multi-Manager Program sponsors have made arrangements with custodians to act on their behalf to hold the investments, collect income, and remit and collect other funds for the benefit of the client.

On a quarterly or more frequent basis, these custodians will provide the client with a statement of activity and investment holdings. The client should carefully review these custodial statements for accuracy, and promptly contact their Capital Investment Advisors Investment Advisor Representative or our firm's Chief Compliance Officer to report any error.

Clients may also receive periodic reports from the Third Party Multi-Manager Program sponsors. Clients who have elected our financial consultation annual renewal services may also receive account aggregation reports from us. Reports clients receive from Third Party Multi-Manager Program sponsors or us are meant to replicate the investment holdings and activity also reported by the client's custodian. The client is urged to carefully compare custodial statements to those provided by Third Party Multi-Manager Program sponsors or us.

If the client discovers a discrepancy between the two statements, the qualified custodian's statement is to be deemed to be accurate representation of the client's accounts. The client should promptly contact their Capital Investment Advisors Investment Advisor Representative or our firm's Chief Compliance Officer to report and discrepancy between statements that might be discovered.

## Item 16: Investment Discretion

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For those client accounts where CIA will have investment discretion, the client has given CIA written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides CIA discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian.

## Item 17: Voting Client Securities

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Neither we nor our Investment Adviser Representatives will (a) vote any proxies solicited by, or with respect to, the issuers of any securities held in any portfolio, nor (b) participate in any legal proceedings involving securities or other investments presently or formerly held in any portfolio, or the issuers thereof, including bankruptcies.

The agreement between the client and the Third Party Multi-Manager Program sponsors provide for appointing the sponsor or the sponsor's investment strategist as the client's agent and attorney-in-fact, with discretion to vote proxies with respect to any securities in the portfolio.

The Third Party Multi-Manager Program sponsor or its' investment strategist will execute waivers, consents and other instruments with respect to such securities, and consent to or reject any plan of reorganization, merger, combination, consolidations, liquidation or

similar plan with reference to such securities. The client may retain the right to vote proxies by providing written notice to the Third Party Multi-Manager Program sponsor.

We will send all proxy and legal proceedings information and documents we receive to the Third Party Multi-Manager Program sponsor so it may take whatever action it deems advisable.

## Item 18: Financial Information

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Registered Investment Advisors are required to provide certain financial information or disclosures

about Capital Investment Advisors' financial condition. Capital Investment Advisors has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients.

Capital Investment Advisors does not require nor solicit prepayment of more than \$1200 in fees from a client, six months or more in advance, nor do we exercise discretionary authority nor take custody of client funds. Thus we do not qualify for inclusion of a balance sheet for our most recent fiscal year.

Capital Investment Advisors has never been the subject of any bankruptcy petition.

## Principal Executive Officers and Management Persons

### John Edward Girouard

Chairman, President, Chief Executive Officer, & Chief Compliance Officer

Year of Birth: 1959

#### *Formal Education after High School:*

Graduated in 1981 from the University of Maryland with a B.A. in Economics

Attended Southern Connecticut State College from 1977 to 1979

#### *Professional Designations:*

Certified Financial Planner, Chartered Financial Consultant, Certified Fund Specialist, and Chartered Life Underwriter

#### *Employment History:*

Registered Principal of Cambridge Investment Research, Inc. 8/10 to Present.

President, CEO & Director of Capital Investment Advisors, Inc. from 3/98 to Present.

President & CEO of Capital Asset Management Group, Inc., from 3/98 to Present.

President & CEO of Capital Financial Planning Group, Inc. 3/98 to Present.

President & CEO of Capital Benefit Planning Group, Inc. from 3/98 to Present.

Registered Principal of National Planning Corp., from 5/99 to 7/10.

Registered Representative of American Capital Corp., from 1/88 to 4/99.

Investment Advisor Representative of Capital Investment Advisors from 1/00 to Present.

Investment Advisor Representative of American Capital Corp., from 1/88 to 12/99.

Executive Vice President of Girouard Piczak & Associates, from 10/84 to 3/99.

Chairman & CEO of Capital Insurance Group, Inc. from 10/84 to Present.

President & CEO of AGI Financial Services, Inc. from 10/83 to Present.

Investment Representative of Aetna Insurance and Annuity Company from 7/82 to 5/99.

Representative of Aetna Investment Services, Inc., from 4/82 to 3/99.

Founder of The Institute for Financial Independence and The IFI Advisor's Network, The Educational Arm of Capital Investment Advisors, Inc. Incorporated 08/20/2012.

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**Richard Allen Weinberg**

Executive Vice President, Chief Financial Officer CFO

Year of Birth: 1954

*Formal Education after High School:*

Attended Northern Virginia Community College

Benjamin Franklin University, 1981 with a B.A., Accounting

*Professional Designations:*

Certified Public Accountant

*Employment History:*

Vice President, Finance and Administration of Capital Investment Advisors, Inc. from 6/01 to Present.

Vice President, Finance and Administration of Capital Asset Management Group, Inc. from 6/01 to Present.

Vice President, Finance and Administration of Capital Benefit Planning Group 6/01-Present.

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**Colleen Marie Girouard**

Secretary & Treasurer

Year of Birth: 1960

*Formal Education after High School:*

Graduated from American University in 1983 with a B.A. in English Literature.

Graduated from American University in 1989 with a Masters in Real Estate & Urban Development.

*Employment History:*

Secretary/Treasurer & Director of Capital Investment Advisors, Inc. from 3/98 -Present.

Secretary/Treasurer & Director of Capital Asset Management Group, Inc. 3/98-Present.

Secretary/Treasurer & Director of Capital Financial Planning Group, Inc. 3/98 -Present.

Secretary & Treasurer of AGI Financial Services, Inc. 4/88 to Present.

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*Thank you for reviewing the Capital Investment Advisors, Inc.*  
Part 2A of Form ADV.