

## CAPTRUST Financial Advisors

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This Brochure provides information about the qualifications and business practices of CAPTRUST Financial Advisors. If you have any questions about the contents of this Brochure, please contact us at (919) 870-6822 or toll-free at (800)216-0645. 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.

CAPTRUST Financial Advisors is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients at least annually. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting us toll-free at (800)216-0645.

Additional information about CAPTRUST Financial Advisors is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website provides information about any persons affiliated with CAPTRUST Financial Advisors who are registered, or are required to be registered, as investment adviser representatives of CAPTRUST Financial Advisors.

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#### Item 4 – Advisory Business

CAPTRUST Financial Advisors, also known as CapFinancial Partners, LLC, (“CAPTRUST” or “Adviser”) was established in April 2003 and approved as a Registered Investment Adviser in September 2003. The CapFinancial Group, Inc. is a 100% owner of CAPTRUST. James Fielding Miller is the CEO of CAPTRUST and the majority owner of The CapFinancial Group, Inc.

CAPTRUST is an Investment Adviser registered with the U.S. Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. CAPTRUST provides advisory services to Retirement Plans including, 401K Plans, 403B Plans, pensions and profit sharing plans, non-qualified plans, foundations, endowments, corporations or other businesses not listed above, collectively (“Client” or “Plan Client”). Approximately 70% of CAPTRUST advisory fee revenue is derived from the continuous and regular investment supervisory services rendered to Plan Clients, however, this is typically done on a non-discretionary basis. CAPTRUST willingly accepts the designation as a “Co-Fiduciary” under ERISA 3(21)(A) or ERISA 3(38) as part of its normal course of business.

CAPTRUST also provides Wealth Management Services which are disclosed in a separate Disclosure Brochure (Form ADV Part 2A) which represents approximately 30% of advisory fee revenue.

CAPTRUST will require each Plan Client to make a selection of services *in writing* as part of the **Retirement Plan Services Agreement(s) (RPSA)**, which sets forth the rights and obligations of CAPTRUST and the Client. The **RPSA** is customized to state the negotiated fee.

**Retirement Plan Advisory Services** include, but are not limited to:

##### **Investment Advisory**

- Plan Level Advice
- Investment Policy Statement Development
- Investment Menu Development
- Ongoing Investment Due Diligence
- Fee Benchmarking

##### **Participant Advice**

- One-On-One Enrollment Meetings
- Investment Education Seminars
- Participant Advice Line
- Asset Allocation Models
- Project Review and Reporting

##### **Plan Process Management**

- Online Process Documentation
- CAPTRUST and Industry Research
- Electronic Repository of Key Plan Documents
- Maintain Plan Information Supplied by Client

##### **Other Services:**

##### **Vendor Analysis**

- Vendor Analysis, Benchmarking, & Scoring
- Plan Administration & Investment Cost Comparison
- Overall Recommendation & Ongoing Due Diligence

##### **Participant Education**

- Annual Education Project Oversight
- Annual Education Planning with Vendor
- Financial Education Seminars
- Group Enrollment Meetings

CAPTRUST provides investment advisory services on either a “non-discretionary” basis [serving as a “fiduciary” as defined by §3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 (“ERISA”)]; or on a “discretionary” basis and thus will serve as an “investment manager” as defined by

§3(38) of ERISA. In either case, CAPTRUST provides specific investment advice to Client with regard to the selection of investment manager(s) and/or investment vehicles available to the Plan within the platform provided by the Plan's Administrator.

Plan Clients typically name their Financial Advisor (an Investment Adviser Representative of CAPTRUST) as "broker of record" in his/her capacity as registered representative. However, the RPSA states, "*Any fees received by CAPTRUST from the investment companies selected by Client for the Plan's accounts will reduce the amount of the [advisory] Fees otherwise due CAPTRUST, on a dollar-for-dollar basis as separately disclosed to Client...*" Acting as "broker of record" permits CAPTRUST to capture product revenue in order to reduce the quoted advisory fee. Many Plan Clients consider this a "value-added" service because it provides the Plan Sponsor flexibility in utilizing product fees to pay for plan expenses in the absence of an ERISA Budget Account.

However, if a Plan Client does not engage CAPTRUST upon an RPSA, the Financial Advisor is truly acting as *an agent* [Registered Representative] and not as an *Investment Advisory Representative* with respect to the Plan Client, in that case, CAPTRUST *may not act* as a Co-Fiduciary to the Plan.

**Consultations.** Adviser may occasionally furnish investment advice on a consulting basis with a Plan Sponsor or Board. To the extent it is requested to do so, Adviser may provide its Clients with investment advisory and consultation services on a "fee for service" basis. Fees for such consultations will be quoted to the Client prior to engagement.

Adviser may offer advice on private placements and/or limited partnerships that may be considered "alternative investments" for example limited partnerships that are known as a "fund of funds" (typically a fund of "hedge" funds). Adviser may also offer advice on private equity funds that contain investments in equities, futures, options, and other securities. Any such recommendation will be made only when determined to be suitable and must be accompanied by or preceded by prospectus or offering memorandum. This type of advice is rendered to Wealth Clients or Nonqualified Plan or other institutional clients, not 401(k) or 403(b) plans).

In performing its services, CAPTRUST shall not be required to verify or audit the information received from the Plan Client or from the Plan Client's other professionals, and is expressly authorized to rely thereon. If requested by the Client, CAPTRUST shall recommend the services of other professionals for implementation purposes. The Client is under no obligation to engage the services of any such recommended professional. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CAPTRUST. It is each Client's responsibility to promptly notify CAPTRUST if there is ever any change in the Client's financial situation or investment objectives.

As of December 26, 2012, CAPTRUST discloses \$78,667,795,836 in institutional, primarily non-discretionary, assets (comprised of retirement Plan Client assets) under advisement; and \$2,361,394,013 in discretionary assets (primarily individual Wealth Client assets) under management.

#### **Item 5 – Fees and Compensation**

CAPTRUST will require each Plan Client to make a selection of services *in writing* as part of the **Retirement Plan Services Agreement(s) (RPSA)**, which sets forth the rights and obligations of CAPTRUST and the Client. Fees for Retirement Plan Advisory Services are negotiated prior to the signing of the

**RPSA.** The **RPSA** is then customized to state the negotiated fee, which, *in general*, is expressed as a percentage of total Plan assets.

In General, fees charged for investment advisory services are payable quarterly, in advance, and are based upon the market value of the Client's Plan assets on the last business day of the calendar quarter. Fees may be direct billed to the Client or to a third party administrator ("TPA") or custodian at the Client's instruction. Fees for Plan Clients engaging CAPTRUST in mid-quarter will be prorated and calculated on a per diem basis.

The **RPSA** will continue in effect until terminated by either party upon thirty (30) days written notice to the other party. However, if the Client has not received the CAPTRUST Form ADV Part 2 at least 48 hours prior to entering into the investment advisory agreement, the Client may terminate the agreement within five business days of entering into the agreement without penalty.

If any advisory relationship terminates before the last day of a quarter, fees are prorated accordingly, and the Adviser will refund any unearned fees due to the Client.

**Flat/Fixed Fee Service.** To the extent so engaged by Client, the Adviser may charge a Flat or Fixed fee for investment advisory and consultation services. Fixed fees are negotiable, but generally range from **\$10,000.00 to \$250,000.00** on an annual basis, depending upon the level and scope of the services required. Fixed fee(s) will be charged quarterly in advance, (calculated on a per diem basis) upon the signing of an **RPSA** by the client. Fees for clients engaging Adviser mid-quarter will be prorated on a per diem basis.

Adviser may be compensated by general promotion, advertising, and distribution fees (12b-1 fees) in relation to Client purchases and sales of mutual fund shares. These 12b-1 fees will be taken into account when calculating the Plan Client advisory fee for service for a particular period and the typical fee reduced based on the 12b-1 fees received by the Adviser.

Fees charged may be higher than otherwise available elsewhere. A portion of the fees charged by CAPTRUST for advisory services may be paid to Investment Advisory Representatives employed by CAPTRUST. All fees described herein may be subject to negotiation depending on a range of factors including, but not limited to, plan size and overall range of services requested.

CAPTRUST's fees are exclusive of other related costs and expenses which shall be incurred by the Plan Client. For example, Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, record-keeping/custodial fees, sales charges, redemption fees, wire transfer and electronic fund fees, and other fees and/or taxes. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to CAPTRUST's fee, and CAPTRUST shall not receive any portion of these other fees or costs. Please see Item 12 for a discussion on 12b1 fees that may be received by CAPTRUST.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

CAPTRUST does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

CAPTRUST provides advisory services to Retirement Plans including, 401K Plans, 403B Plans, pensions and profit sharing plans, non-qualified plans, foundations, endowments, corporations or other businesses not listed above. CAPTRUST also provides investment advisory services to wealthy individuals (“Wealth Clients”), on a continuous and regular basis, but those services are disclosed separately, in CAPTRUST’s Wealth Advisory Services Disclosure Brochure.

For Plan Clients, Adviser does not require a minimum account size, but may impose a minimum annual consulting fee. Adviser retains the right to waive minimum initial account sizes should Adviser feel it is necessary.

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

Investment recommendations are based on an analysis of the Plan Client’s specific needs, and are drawn from research and analysis. Each Plan is analyzed separately paying particular attention to the limitations on the investment lineup as determined by the Plan documents, the Plan’s current service providers/platform and whether the Plan’s current platform has an opened or closed architecture. However, in general, security analysis methods include fundamental analysis as well as quantitative and qualitative research on a given investment vehicle. Information for this analysis may be drawn from financial newspapers, magazines and databases, research materials prepared by others, annual reports, corporate filings and prospectuses. Additional sources of information utilized by CAPTRUST include meetings and discussions with Investment Managers employed by Investment Companies, Separate Account Manager of Portfolio Funds, statistical summaries and analysis and such other sources CAPTRUST’s professionals personnel deem appropriate. CAPTRUST may utilize services of sub-advisers and established third party research services to assist CAPTRUST with formulating asset allocation, industry and sector selection, and investment recommendations in managing the Funds. Technical Analysis may be used when analyzing indices and/or securities other than open-ended mutual funds.

It is important to note that investing in securities involves certain risks that are borne by the investor. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. In general, risks associated with investing include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CAPTRUST or the integrity of CAPTRUST's management. CAPTRUST has no information applicable to this Item.

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

CAPTRUST is both a FINRA broker-dealer (member SIPC) and an Investment Adviser registered under the Investment Advisers Act of 1940. CAPTRUST is also registered as a Commodity Trading Advisor with the National Futures Association because occasionally CAPTRUST renders investment advice with respect to commodities and/or futures.

CapFinancial Partners, LLC has a business entity insurance license and many Financial Advisors are life insurance licensed in order to act as "agent of record" for those Plan Clients whose retirement plans are funded with group variable insurance products. Additionally, Financial Advisors at CAPTRUST may occasionally recommend fixed or variable annuities or life insurance to their Wealth Clients when assisting them in executing their financial plan.

As a registered broker-dealer, Adviser offers individual [Wealth Clients] and institutional [Plan Clients] general securities [investment] services. The Investment Adviser Representatives with Adviser are simultaneously registered as Registered Representatives. The Adviser generally spends 20% of his/her time on work done for Clients on activities consistent with the definition of broker/dealer activities. If a trade error were to occur, it may result in profit or loss to the firm. The firm has controls in place to limit such trade errors. Investment Adviser Representatives will not participate in any profits resulting from such errors.

As a result of certain investment related recommendations (or other investment advisory services) provided to its Clients, the Adviser may facilitate certain securities purchases and/or sales; or insurance product purchases and/or sales on behalf of Clients. Such transactions may be facilitated by Adviser, in its capacity as a registered broker/dealer or insurance agent/agency (business entity). Commissions charged by its broker/dealer may be higher or lower than obtainable elsewhere. All related



compensation is separate from advisory services. In general, product revenue associated with Plan Client assets is captured to reduce the plan advisory fee pursuant to the terms of the RPSA.

Recently, CAPTRUST has acquired the assets of Freedom One Investment Advisors, LLC (“FOIA”) an investment adviser registered under the Investment Advisers Act of 1940 and its affiliate, Freedom One Retirement Services, LLC (“FORS”). FOIA acts as a discretionary investment manager for most of its clients, so as a result of the merger, and following the consent to the assignment of existing FOIA advisory agreements, the number of plans that CAPTRUST exerts discretion over will increase substantially. FORS provides recordkeeping services to plan clients of FOIA, so CAPTRUST is disclosing this conflict of interest to those plans utilizing FORS for recordkeeping services. Those Clients of FOIA may be paying more or less for recordkeeping services than other Plan Clients utilizing unaffiliated record keepers.

In general, CAPTRUST recommends that *Wealth Clients* establish brokerage accounts with Pershing (“Custodian”) to maintain custody of Clients’ assets and to effect trades for their accounts. (Please refer to CAPTRUST ADV Part 2 Wealth brochure.) However, some CAPTRUST Wealth Clients utilize Fidelity or Schwab for custodial and execution services (“Custodians”). These Custodians are FINRA registered Broker-Dealers. Although CAPTRUST may recommend that Wealth Clients establish accounts at a Custodian, it is the Client’s decision. CAPTRUST is independently owned and operated and not affiliated with any Custodian.

CAPTRUST does not typically recommend custodians to Plan Clients. However, FOIA has recommended that Plan Clients use Fidelity Institutional Brokerage (Fidelity). Therefore, in general, FOIA’s Plan Clients who have granted FOIA discretion, use Fidelity to custody Plan assets and SunGard’s Global Network (SGN) to provide the trading platform. SGN provides FOIA with a single source for mutual fund processing needs through a strategic alliance between Sungard and Fidelity. SGN enables FOIA to buy and sell mutual funds without transaction charges. FOIA Plan Clients have separate written agreements with respect to the custodial arrangements. However, for most FOIA Plan Clients, Fidelity acts as custodian for the Plan Client’s assets. FOIA’s nondiscretionary Plan Clients may have directed FOIA to use a broker or custodian that FOIA did not recommend.

Please note: Item 12 includes additional details regarding brokerage practices and related disclosures.

#### **Item 11 – Code of Ethics**

CAPTRUST has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CAPTRUST must acknowledge the terms of the Code of Ethics annually, or as amended.

Occasionally, associated persons of Adviser may recommend that Clients buy or sell the same securities or investment products that associated persons of the Adviser also own. In such circumstances, Adviser shall give precedence to Client transactions. CAPTRUST’s employees and persons associated with CAPTRUST are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CAPTRUST will not interfere

with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of CAPTRUST's Clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between CAPTRUST and its Clients.

**Block Trades:** Certain (employee-related or "affiliated") accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with CAPTRUST's obligation of best execution. In such circumstances, the affiliated and Client accounts will share cost of execution equally and receive securities at a total average price. CAPTRUST will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

CAPTRUST's Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Compliance Department at (919) 870-6822 or (800) 967-9948.

#### **Item 12 – Brokerage Practices**

Since CAPTRUST is also registered as a Broker/Dealer with FINRA, CAPTRUST may collect 12b1 fees or product commissions that may be used to **offset advisory fees** and are accounted for on a quarterly invoice to our Plan Clients in detail. In this case, CAPTRUST tracks all 12b-1 or product revenue (by plan Client) that actually received by CAPTRUST and offsets advisory fees on a quarterly basis in accordance with the RPSA. In the absence of an RPSA, a Plan Client may appoint CAPTRUST (only in its capacity as FINRA broker-dealer) as the "Broker of Record" in order to compensate CAPTRUST solely with product revenue. Consequently, Adviser's Investment Adviser Representatives, who are also Registered Representatives of CapFinancial Partners, LLC ("CAPTRUST"), may receive compensation in the form of commissions for each transaction if that Registered Representative is named as "Broker or Agent of Record" to investment company products that the Plan Client is invested in. Therefore, on rare occasions, a Registered Representative may be compensated by 12b-1 fees only.

Brokerage Practices affecting Wealth Clients are separately disclosed in its Wealth ADV Part 2A. Wealth disclosures include that the Adviser may, in its capacity as a FINRA Broker/Dealer, engage in riskless principal transactions giving its Wealth Clients access to investments which otherwise may not be accessible in a retail brokerage account. However, Adviser does not engage in such transactions on behalf of Plan Clients. The Investment Adviser Representatives of Adviser may also effect securities transactions for Clients as registered representatives of a broker/dealer. All FINRA, SEC, and other regulatory agencies disclosure requirements and policies are observed for all transactions. As noted in Item 10, Adviser may, in its capacity as a broker-dealer, effect certain securities transactions that may have been recommended as part of its investment advisory services. Further, Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Adviser's compensation related to its investment advisory services. As stated in item 5, any product revenue stemming from an RPSA with an ERISA Plan Client captured by CAPTRUST will be used to offset advisory fees.

Some Plan Clients may use Bank of New York or an affiliate as a platform/custodian for their plan assets. Therefore it is material to disclose that as a broker-dealer, CAPTRUST has an existing relationship with Pershing, LLC (“Pershing”), an affiliate of Bank of NY, in the form of a “Clearing Agreement”

#### **Item 13 – Review of Accounts**

Plan Client Accounts are advised by their Financial Advisor, the Investment Advisor Representatives (IAR) responsible for performing periodic reviews and consulting with the respective client. Additionally, investment company assets in Plans are monitored on a continuous and regular basis by CAPTRUST Consulting Research Group. Eric Freedman, Chief Investment Officer, heads up the Consulting Research Group. Plan Clients who are under an RPSA receive Quarterly Reviews produced by the Consulting Research Group for each Plan. Denise Buchanan, Chief Compliance Officer, heads up the Compliance Team that reviews and approves the commentary contained in the Quarterly Reports. Additionally, monthly and quarterly statements are provided by the custodian of the Plan Clients Assets, but additional reports may be provided by Third Party Administrators employed by the Plan Client.

Plan Clients agree to inform the firm in writing of any material changes to the Plan Client’s financial circumstances that may affect advice being rendered to the Plan. Plan Clients may contact the firm during normal business hours to consult with the firm concerning any such material changes.

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

CAPTRUST, in some instances, may compensate third-party solicitors (or “Corporate Solicitor”) for Client referrals. In order for a business entity to be compensated by CAPTRUST for referring a Client to CAPTRUST, the solicitor must be engaged by CAPTRUST under a Solicitor or Referral Agreement (“Agreement”) in compliance with Section 206(4)-3 of the Investment Advisers Act of 1940. In general, a Corporate Solicitor is compensated by a percentage of the advisory fee collected for limited period of time specified in the Agreement. The Client pays no additional fee for the referral over and above CAPTRUST’s quoted advisory fee; to the contrary, the fee the Adviser earns is reduced by the amount of the compensation to the Corporate Solicitor. A Client who is solicited will receive a Separate [additional] Solicitor’s Disclosure Statement describing the arrangement in detail. Clients may request details regarding a particular Agreement by contacting us toll-free at (800)216-0645 or sending an email to [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

#### **Item 15 – Custody**

Clients should receive statements at least quarterly from their Custodian. CAPTRUST urges you to carefully review such statements and compare the official custodial records to any reports that we may provide you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. CAPTRUST does not act as a qualified custodian for Plan Client assets. However, CAPTRUST does disclose upon the ADV Part I (Item 9) that it has custody of clients’ funds or assets because of the method by which CAPTRUST processes third party checks for Wealth Clients and also because a small number of Wealth Clients have asked a CAPTRUST Financial Advisor to act as a trustee or in a similar capacity with respect to their wealth assets. Therefore, CAPTRUST undergoes an annual “surprise” audit by an independent certified public accountant to audits these clients’ funds and securities [accounts] and who is also engaged to prepare an internal control report annually.

### Item 16 – Investment Discretion

For certain CAPTRUST Clients, Adviser has the authority to determine, without obtaining specific client consent, both the securities to be bought and sold as well as the amount of the securities to be bought or sold. However, this discretion must be provided at the beginning of the Adviser/Client relationship and documented in the Advisory Services Agreement (“ASA”) for Wealth Clients. *In general*, the RPSA (Retirement Plan Service Agreement) does not give CAPTRUST such discretionary authority. But a growing number of Plan Clients have hired CAPTRUST to take discretion over the investment selection in a Plan. This service elevates CAPTRUST’s fiduciary role to that of an ERISA 3(38) “investment manager.”

Recently, CAPTRUST has acquired the assets of Freedom One Investment Advisors, LLC (FOIA) an investment adviser registered under the Investment Advisers Act of 1940 and its affiliate, Freedom One Retirement Services, LLC. FOIA acts as a 3(38) investment manager for most of its clients, so as a result of the merger, and following the consent to the assignment of existing FOIA advisory agreements, the number of plans that CAPTRUST exerts discretion over will increase substantially.

CAPTRUST’s separate Disclosure Brochure for its Wealth Management Services discloses the level of authority and discretion CAPTRUST is granted, in general, for its Wealth Management clients.

Adviser may have the authority to negotiate fees on behalf of the Plan Client with its other service providers. Specifically in its efforts to perform “Request(s)For Proposals” (RFP’s) on behalf of Plan Clients, Advisers assists the Plan Client in determining the most suitable fee for services structure that can be obtained within the constraints of the Retirement Plan Document(s). However, CAPTRUST does not have any “control” over the fees or commissions charged by custodians or investment companies for the products or services they provide. Consequently, the Plan Client may pay fees or commissions higher than obtainable elsewhere for similar products or services.

Additionally, FORS provides recordkeeping services to plan clients of FIOA, thus to certain CAPTRUST Plan Clients by virtue of the acquisition referenced above, so CAPTRUST is disclosing to this conflict of interest to those plan who are also using FORS for recordkeeping services. Those FIOA may be paying more or less for recordkeeping services than other Plan Clients utilizing unaffiliated record keepers.

### Item 17 – Voting Client Securities

In general, where CAPTRUST has been provided discretionary authority by its clients, CAPTRUST may retain the right to vote proxies. It is CAPTRUST’s aim to see that proxies are voted in the best interest of its clients. In General, the proxy voting guidelines are designed to be responsive to the wide range of issues that can be raised in proxy situations. The Proxy Voting Policy contains detailed guidelines and specific methods by which conflicts of interests are addressed. Please note, FOIA does not vote proxies for Plan Clients, but rather Plan Clients of FOIA retain the right to vote proxies.

**[Wrap] Accounts Managed By Outside Managers:** CAPTRUST frequently recommends that Wealth Clients outside managers. Under those conditions, Clients relegate the right to vote proxies to their account manager. The manager’s proxy voting policies will be detailed in their Disclosure Brochure.

To obtain a copy of CAPTRUST’s Proxy Voting Policy or for a copy of CAPTRUST’s Proxy Voting record, Clients can contact CAPTRUST directly at: (800) 216-0645 or (919) 870-6822 or may write to CAPTRUST “Compliance” at 4208 Six Forks Road #1700, Raleigh NC 27609 to obtain the information.

## Item 18 – Financial Information

Registered Investment Advisers are required to provide you with certain financial information or disclosures about CAPTRUST's financial condition. CAPTRUST has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

## Privacy Policy

CapFinancial Partners, LLC ("CAPTRUST") recognizes that its clients have an expectation that CAPTRUST and its affiliates will maintain the confidentiality of Clients' nonpublic personal information. Consequently, CAPTRUST has adopted this Privacy Policy concerning information obtained during the servicing of Client's account(s).

**Nonpublic information:** Nonpublic information obtained by CAPTRUST for purposes of providing services hereunder will not be furnished to third parties for any other purpose other than in furtherance of the services to be provided hereunder. Notwithstanding the foregoing, CAPTRUST may disclose nonpublic information (i) to the extent such disclosure is required by court order or by a valid order of a governmental body governmental or quasi-governmental agency (such as FINRA) (ii) prior or after the time of disclosure such information becomes part of the public knowledge or literature, not as a result of any inaction or action of CAPTRUST, (iii) reasonably necessary for CAPTRUST to enforce its legal rights in any dispute with that Client; or (iv) is approved by Client, in writing, for release. CAPTRUST does not disclose nonpublic personal information about its clients to any party except as permitted by law.

**Sources of Personal Information:** We collect Personal Information about you from meetings with you and on applications or other forms you have submitted to CAPTRUST, as well as information about your investments or transactions with us or others (such as third party service providers or fund companies) from other sources.

### **How CAPTRUST Protects the Confidentiality of Clients' Nonpublic Personal Information:**

CAPTRUST does not sell or trade clients' information with nonaffiliated companies. When information is provided to third party service providers, safeguards are in place to assure that information is used only for the purpose it is provided. CAPTRUST maintains its records on secured computers. Prospective employees are screened for criminal convictions. Once hired, employees are made aware of CAPTRUST's Privacy Policy and of the confidential nature of the information they handle. Employees are limited to accessing only that customer information that is necessary to perform their job functions.

**To Whom This Policy Applies:** This Notice applies to all our clients who enter into an Advisory Services Agreement with us. Our Former Clients: Even if you are no longer a Client, our Privacy Policy will continue to apply to you.

**Access to and Correction of Information:** Upon the written request of Clients, we will make available for their review any file we may maintain for their personal Information; provided, however, that any Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available. If Clients notify us that any Information is incorrect, we will review it. If we agree, we will correct our records. If we do not agree, Clients may submit a short statement of dispute, which we will include in any future disclosure of the disputed Information.

**Further Information:** We reserve the right to change this Privacy Policy at any time. The examples contained within this Privacy Policy are illustrations and are not intended to be exclusive. This Policy attempts to comply with federal and state regulations regarding privacy. Clients may have additional rights under other foreign or domestic laws that may apply to them.

**“Opt Out” Provision:** Since CAPTRUST does not sell or share any Personal Information an “opt out” provision would not be applicable to this Privacy Policy. Clients may call (800)216-0645 to request further information regarding this policy.

### **Business Continuity Disclosure/Summary**

CapFinancial Partners, LLC, doing business as CAPTRUST Financial Advisors, (“CAPTRUST”) is a federally registered investment adviser and an independent FINRA broker/dealer utilizing the clearing services of Pershing, LLC (“Pershing”). For most CAPTRUST (Wealth) Advisory Clients, Pershing provides custody, back-office and trade support, for CAPTRUST. However, some client account(s) and assets are maintained and custodied by Schwab Institutional. Plan Clients’ assets are maintained at their respective custodians. However, Advisory Clients who are currently Plan Clients of FOIA, your accounts and assets are maintained and custodied at Fidelity Institutional Brokerage.

As a member of FINRA, Rule 3510(e) requires CAPTRUST to summarize the manner in which CAPTRUST’s Business Continuity Plan (BCP) addresses the possibility of significant business disruptions. Accordingly, CAPTRUST is furnishing this document to you to provide information about our efforts to ensure that impact to your business is minimized in the event of an emergency or disaster.

Securities Industry regulations require each member firm to create and maintain a business continuity plan reasonably designed to meet its obligations to its clients or other counter-parties. In accordance with these requirements, CAPTRUST has designed a business continuity plan to address possible scenarios in efforts to minimize any service impact to our clients.

In keeping with the regulatory requirements, the business continuity plan for CAPTRUST is designed to address key areas of concern - including but not limited to the following:

- Data back-up and recovery;
- Mission critical systems;
- Financial and operational assessments;
- Alternate means of communication between CAPTRUST and its clients;
- Alternate means of communication between CAPTRUST and its employees;
- Alternate physical locations of employees;
- Critical business constituent, bank and counter-party impact;
- Regulatory reporting;
- Communications with regulators; and
- How CAPTRUST will ensure that customers have access to their funds and securities in the event CAPTRUST determines it is unable to continue its business.

Since events creating business disruptions may vary in nature and scope, CAPTRUST has anticipated scenarios in which the following are affected:



- A primary CAPTRUST building at its headquarter location
- A CAPTRUST branch location
- A city wide area
- A regional area

Regardless of the scope of potential disruption, CAPTRUST intends to continue to provide service to its clients.

In the event of a significant business disruption, where the primary building or business district is located, we will move our staff from affected offices to the closest of our unaffected offices. The firm has four other locations from which to conduct business. Therefore, should the primary building or business district be affected by a disruption, the other locations can be used to help restore operations.

In the unlikely event of a citywide or regional disruption, both of CAPTRUST's other locations ("established recovery sites") are in other cities. The first established recovery site is approximately 170 miles from its headquarters and the other is approximately 400 miles. Either alternate location can be used to restore time sensitive functions as soon as key employees are relocated to the facility. In the event that any such disruption occurs, we have developed alternative service arrangements, systems, locations and contingency plans to ensure that any service is quickly restored.

CAPTRUST has identified several computer applications with Mission Critical or High criticality ratings and has documented this within the business continuity plan. These Mission Critical computer applications are proprietary to our Clearing Firm (Pershing). Pershing regularly performs disaster recovery testing and reports results to CAPTRUST. Pershing provides an annual BCP disclosure to CAPTRUST clients. Clients may reach Pershing directly at (201)413-3635 for recorded instructions during a significant business disruption.

For those CAPTRUST Clients who are utilizing Fidelity as custodian:

Although CAPTRUST recognizes Fidelity as a Critical Business Constituent, Fidelity's proprietary web-based platform makes permits access to your account remotely regardless of a business local, city-wide or regional disruption. For a summary of Fidelity's Business Continuity Plan, please call CAPTRUST at (800) 216-0645 or you may reach Fidelity directly at 800-343-3548.

For Clients who are utilizing Charles Schwab as custodian:

Although CAPTRUST recognizes Schwab as a Critical Business Constituent, Schwab's proprietary web-based platform makes permits access to your account remotely regardless of a business local, city-wide or regional disruption. For a summary of Schwab's Business Continuity Plan, please call CAPTRUST at (800) 216-0645 or you may reach Schwab Institutional Investments directly at 800.289.5114. Clients may access their accounts by logging into [www.schwab.com](http://www.schwab.com).

At a minimum, the CAPTRUST business continuity plan is reviewed, updated and tested on an annual basis. Additionally, our primary internal and external application providers periodically conduct testing of their own back-up capabilities to ensure that, in the event of an emergency or significant business disruption, they will be able to provide us with the critical information and applications we need to

continue or promptly resume our business. When testing our plan, we review the recovery time and resumption time period for all mission critical systems.

Making sure that any type of disruption does not unduly impact our clients is extremely important to us, and our business continuity plan is designed to allow us to continue to provide the quality service you have come to expect from CAPTRUST.

In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions (919) 870-6822 (local) or (800) 216-0645 (toll-free) and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site ([www.captrustadvisors.com](http://www.captrustadvisors.com)) that customers may access their funds and securities by contacting Pershing, Fidelity or Schwab directly.