

**FORM ADV**  
**Part II - Page 1**

**Uniform Application for Investment Adviser Registration**

**OMB APPROVAL**

OMB Number: 3235-0049  
Expires: January 31, 2008  
Estimated average burden  
hours per response.....9.402

Name of Investment Adviser:

Cape Ann Capital, Inc.

Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
13 Woodcrest Road		Manchester-by-the-Sea	MA	01944-1035	978-526-7541	

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

**1. A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- |  |      |
|--|------|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services .....   | 94 % |
| <input type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services .....  | %    |
| <input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above .....                                     | 6 %  |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription .....   | %    |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above .....   | %    |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... | %    |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities .....   | %    |
| <input type="checkbox"/> (8) Provides a timing service .....   | %    |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above .....   | %    |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?..... 

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>

C. Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input type="checkbox"/> (6) Other             |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of Clients** - Applicant generally provides investment advice to : (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)   |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |  |

**3. Types of investments.** Applicant offers advice on the following (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Equity Securities  | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                                |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                        | I. Options contracts on:   |
| <input checked="" type="checkbox"/> (3) foreign issuers   | <input type="checkbox"/> (1) securities                                    |
|   | <input type="checkbox"/> (2) commodities                                   |
| <input checked="" type="checkbox"/> B. Warrants   |  |
|   | J. Futures contracts on:   |
| <input checked="" type="checkbox"/> C. Corporate debt securities<br>(other than commercial paper) | <input type="checkbox"/> (1) tangibles                                     |
|   | <input type="checkbox"/> (2) intangibles                                   |
| <input checked="" type="checkbox"/> D. Commercial paper   |  |
| <input checked="" type="checkbox"/> E. Certificates of deposit                                    | K. Interests in partnerships investing in:                                 |
| <input checked="" type="checkbox"/> F. Municipal securities                                       | <input type="checkbox"/> (1) real estate                                   |
|   | <input type="checkbox"/> (2) oil and gas interests                         |
| G. Investment company securities:   | <input type="checkbox"/> (3) other (explain on Schedule F)                 |
| <input type="checkbox"/> (1) variable life insurance  |  |
| <input type="checkbox"/> (2) variable annuities   | <input type="checkbox"/> L. Other (explain on Schedule F)                  |
| <input checked="" type="checkbox"/> (3) mutual fund shares  |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies**

A. Applicant's security analysis methods include: (check those that apply)

- |  |   |
|--|---|
| (1) <input type="checkbox"/> Charting    | (4) <input type="checkbox"/> Cyclical                                 |
| (2) <input type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical   |   |

B. The main sources of information applicant uses include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services   |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the<br>Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?..... ☒ Yes ☐ No

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principle business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? ..... ☐ Yes ☒ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?..... Yes ☒ No ☐

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

The president reviews each client's asset allocation at least monthly. If an asset class is outside of the account's allowable range, he takes steps to bring it in line.

The president reviews each client's investment policy at least monthly. He may recommend adjustments in policy to reflect changes in market conditions or changes in a particular client's investment objectives, risk tolerance or time horizon.

The president reviews individual securities in each client's portfolio at least monthly. He assesses the future prospects and risks of securities held versus other opportunities in the marketplace. He may direct a client's account to buy or sell securities if, in his judgment, the transaction is likely to improve performance or reduce risk (or both) within the constraints of the client's investment policy.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Cape Ann Capital provides all advisory clients a monthly or quarterly report (at their discretion) showing the value of individual securities subtotaled by asset class. The report also shows the performance of the aggregate portfolio, each asset class and the appropriate benchmarks.

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |   |  |
|--|---|--|
| (1) securities to be bought or sold? .....               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| (2) amount of the securities to be bought or sold? ..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| (3) broker or dealer to be used? .....                   | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| (4) commission rates paid? .....                         | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? ..... Yes ☐ No ☒

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... Yes ☐ No ☒
- B. directly or indirectly compensates any person for client referrals? ..... Yes ☐ No ☒

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? ..... Yes ☐ No ☒

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: Cape Ann Capital, Inc.	SEC File Number: 801-	Date: 03/31/2008
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Cape Ann Capital, Inc.	IRS Empl. Ident. No.: 04-3466809
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Item of Form (identify)	Answer								
Page 2 Item 1A(1)	<p><u>Investment Supervisory Services</u></p> <p>Cape Ann Capital provides investment supervisory services including asset allocation, security selection and performance reporting. As the first step in every client relationship, the president of Cape Ann Capital develops an investment policy. The policy serves as a guide for the investment process and reflects the client's investment objectives, risk tolerance and time horizon. The policy identifies appropriate asset classes and specifies a target allocation for each asset class. The investment policy identifies a benchmark to be used as a reference for the evaluation of performance. The benchmark also serves as a reference for the control of risk. The investment policy specifies the target tracking error between the portfolio and the benchmark.</p> <p>In most cases, Cape Ann Capital invests exclusively in actively managed mutual funds and exchange traded index funds. The firm employs various research tools to conduct ongoing analyses of the mutual funds and exchange traded funds available to investors. Cape Ann Capital typically draws on its proprietary research to select a diversified mixture of actively managed mutual funds and then adds exchange traded index funds wherever necessary to provide exposure to sectors not covered by the actively managed funds. The active and indexed proportions within the portfolio depend on Cape Ann Capital's ability to identify actively managed funds with convincing evidence of skill in delivering returns above what can be achieved with index funds. In sectors where no skillfully managed funds can be found, Cape Ann Capital substitutes index funds.</p> <p>As part of its proprietary research, Cape Ann Capital regularly monitors the actively managed mutual funds available to U.S. investors. The firm uses a statistical technique called returns-based style analysis to determine each fund's effective asset mix and to evaluate each fund relative to this mix. The procedure eliminates the requirement to evaluate each fund relative to a single benchmark. It allows Cape Ann Capital to identify the portion of each fund's performance that could have been achieved with a blend of index funds and the portion that is due to the manager's skill in outperforming these index funds. The use of a blended benchmark that adjusts over time allows a more precise determination of a fund management's security-selection skills.</p> <p>Cape Ann Capital uses quadratic optimization techniques to help build each client's portfolio. The optimizer helps to determine the appropriate blend of actively managed mutual funds and exchange traded index funds to control risk. The optimizer takes account of the risk of each mutual fund as well as each fund's interaction with each of the other funds in the client's portfolio. The optimizer is used to manage the tracking error of the portfolio relative to the benchmark.</p> <p>The President of Cape Ann Capital reviews each client's tracking error at least monthly. If a portfolio's tracking error is above its target, he takes steps to bring it in line. The president reviews the individual mutual funds in each client's portfolio at least monthly. He assesses the future prospects and risks of funds held versus other funds in the marketplace. He may direct a client's account to buy or sell some funds if, in his judgment, the transaction is likely to improve performance or reduce risk (or both) within the constraints of the client's investment policy. The president reviews each client's investment policy at least monthly. He may recommend adjustments in policy to reflect changes in market conditions or changes in investment objectives, risk tolerance or time horizon.</p> <p><u>Basic Fee Schedule</u></p> <table><tr><th><u>Assets</u></th><th><u>Annual Fee Rate</u></th></tr><tr><td>First \$1 million</td><td>0.65% of assets</td></tr><tr><td>Next \$1 million</td><td>0.35% of assets</td></tr><tr><td>Over \$2 million</td><td>0.20% of assets</td></tr></table> <p>Fees are billed monthly (at one-twelfth the annual rate) in arrears based on month-end valuations. Cape Ann Capital's minimum fee is based on \$500,000 in assets. If assets fall below \$500,000 at any month-end, Cape Ann Capital's fee for that month is computed using a \$500,000 valuation rather than the actual (lower) valuation. Fees are negotiable.</p>	<u>Assets</u>	<u>Annual Fee Rate</u>	First \$1 million	0.65% of assets	Next \$1 million	0.35% of assets	Over \$2 million	0.20% of assets
<u>Assets</u>	<u>Annual Fee Rate</u>								
First \$1 million	0.65% of assets								
Next \$1 million	0.35% of assets								
Over \$2 million	0.20% of assets								

**Schedule F of  
Form ADV****Continuation Sheet for Form ADV Part II**

Applicant:

Cape Ann Capital, Inc.

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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Cape Ann Capital, Inc.	IRS Empl. Ident. No.: 04-3466809
Item of Form (identify)	Answer
Page 2 Item 1A(3)	<u>Investment Consulting Services</u>  <u>Investment Manager Searches</u>  Cape Ann Capital assists clients in selecting and hiring professional investment managers. As a first step in this process, the firm works with its clients to develop quantitative search criteria for use with the returns-based style analysis techniques described on the previous page. Cape Ann Capital then applies the criteria to the broad universe of open-end mutual funds, independent investment advisor separate account composites and bank pooled funds operating in the U.S. to identify a list of five or ten potential candidate managers. The selected managers typically demonstrate low risk and high value added relative to their style benchmark.  Cape Ann Capital further narrows the list to two or three finalists through various types of due diligence which may include telephone interviews, published research reports and face-to-face interviews. The finalists are invited to make a presentation to the client. The client makes the ultimate selection, but Cape Ann Capital facilitates discussion. The client must be comfortable with the style and the process of the manager. The client and the manager must agree on investment objectives, fees and future evaluation criteria.  <u>Other Consulting Services</u>  Cape Ann Capital performs various other types of quantitative analysis as requested by its clients.  <u>Fees</u>  Consulting services are billed monthly in arrears at the rate of \$200 per hour. Fees are negotiable.
Page 3 Item 4A(5)	Returns-based style analysis as described on Page 2 Item 1A(1).
Page 3 Item 4B(8)	Cape Ann Capital creates its own proprietary information using the various techniques described above and on the previous page. Third-party vendors supply some of the data and software used to create this proprietary information. These vendors deliver their products via CD and overnight courier or via the Internet.
Page 4 Item 5	<u>Education and Business Standards</u>  Cape Ann Capital requires those giving investment advice to have at least ten years experience in the investment business, an MBA with a concentration in Finance (or equivalent), a Chartered Financial Analyst (CFA) designation as well as membership in good standing in the CFA Institute and the Boston Security Analyst Society (or equivalent).

Complete amended pages in full, circle amended items and file with execution page (page 1).



**Schedule F of  
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**Continuation Sheet for Form ADV Part II**

Applicant: Cape Ann Capital, Inc.	SEC File Number: 801-	Date: 03/31/2008
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Cape Ann Capital, Inc.	IRS Empl. Ident. No.: 04-3466809
Item of Form (identify)	Answer
Page 4 Item 6	<p>David A. Umstead Year of birth: 1942</p> <p>Formal Education after High School</p> <p>BS Mechanical Engineering, University of Vermont, 1964 MS Mechanical Engineering, MIT, 1966 MBA Boston University, 1972 Ph.D. Finance, University of North Carolina at Chapel Hill, 1975</p> <p><u>Business Background</u></p> <p>Assistant Professor of Finance, The Wharton School of Finance, University of Pennsylvania, 1975-1978 VP and Director of Quantative Research, Putnam Management Company, Inc., 1978-1984 VP and Chief Research Officer, State Street Global Advisors, Inc., 1984-1986 Co-Founder and Managing Director, Boston International Advisors, Inc., 1986-1996 Senior VP, Independence International Associates, Inc., 1996-1999 Founder and President, Cape Ann Capital, Inc., 1999-present</p>
Page 5 Item 9E	<p><u>Code of Ethics</u></p> <p>Cape Ann Capital has adopted a code of Ethics (the "Code") in accordance with Rule 204A-1 of the Investment Advisors Act of 1940. A copy of the Code is available to clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by Cape Ann Capital as policy for the guidance of all personnel and to specify the responsibility of all employees of Cape Ann Capital to act in accordance with their fiduciary duty to Cape Ann Capital's clients and to comply with applicable laws and regulations. Cape Ann Capital requires that all employees conduct themselves in accordance with all applicable federal and state laws and regulations concerning the securities industry and in a manner that safeguards the interests of Cape Ann Capital and its clients. The following is a summary of certain provisions of the Code:</p> <p><u>Confidential Information</u></p> <p>As an investment adviser, Cape Ann Capital has a fiduciary duty to its clients not to divulge or misuse information obtained in conjunction with its services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment with Cape Ann Capital should be treated as confidential. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that Cape Ann Capital advises a particular client should ordinarily be treated as confidential.</p> <p>The Code sets forth steps employees should take to help preserve confidential information including the following: avoiding inadvertent or accidental disclosure through careless conversation, naming names or describing details of a current or proposed trade, investment or transaction in a public place; and employing physical safeguards, such as locking file cabinets.</p> <p><u>Material Inside Information</u></p> <p>All employees of Cape Ann Capital (in any capacity) and all persons - friends, relatives, business associates and others - who receive nonpublic material inside information from employees concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. Generally speaking, inside information is information about an issuer's business or operations (past, present or prospective) that becomes known to an employee and which is not otherwise available to the public. If a person knows information about an issuer which the person believes would influence an investor in an investment decision concerning that issuer's securities and which has not been disclosed to the public, the person should not buy or sell that issuer's securities. The Code sets forth an extensive list of subjects information about which is likely to be material inside information. The Code also explicitly forbids disclosing material inside information to another person ("tipping") who subsequently uses that information for his or her profit.</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
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**Continuation Sheet for Form ADV Part II**

Applicant: Cape Ann Capital, Inc.	SEC File Number: 801-	Date: 03/31/2008
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Cape Ann Capital, Inc.	IRS Empl. Ident. No.: 04-3466809
Item of Form (identify)	Answer
Page 5 Item 9E (cont.)	<p>All personnel receiving material, nonpublic information have the same duty not to disclose or use information about persons or issuers who are not clients of Cape Ann Capital in connection with securities transactions as they have with respect to client securities. In other words, employees may not purchase or sell any securities with respect to which they have inside information for their own, Cape Ann Capital's or for a client's account or cause clients to trade on such information until after such information becomes public. The foregoing prohibition applies whether or not the material inside information is the basis for the trade. Whenever employees come into possession of what they believe may be material non public information about an issuer, they should notify Cape Ann Capital's Chief Compliance Officer.</p> <p><u>Fiduciary Duty and Conflicts of Interest</u></p> <p>Cape Ann Capital and its employees have a fiduciary duty to Cape Ann Capital's clients to act for the benefit of the clients and to take action on the client's behalf before taking action in the interest of any employee of Cape Ann Capital. Cape Ann Capital and its employees must act for the client's benefit and treat all clients fairly. The manner in which any employee discharges his or her fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the client to the particular transaction giving rise to a conflict of interest may be required or an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking action with a client's consent, each employee must always seek to assure that the action is fair to the client.</p> <p>The Code sets forth several common examples of conflicts of interest including selection of broker-dealers, commissions, gifts, service as a director of a public company, and how such conflicts can be avoided.</p> <p><u>Fair Treatment of Clients</u></p> <p>An employee who handles one or more clients may be faced with situations in which it is possible to give preference to certain clients over others. Employees must be careful not to give preference to one client over another even if the preferential treatment would not benefit Cape Ann Capital or the employee. For example, an employee should not: (i) provide better advice to a large, prestigious client than is given to a smaller, less influential one, (ii) give sale advice to one client ahead of another, or (iii) direct securities of limited supply and higher potential return to particular clients because they generate larger fees for Cape Ann Capital.</p> <p><u>Dealing with clients as Agent and Principal</u></p> <p>In accordance with Section 206(3) of the Advisers Act, the Code requires that employees - involved in situations where Cape Ann Capital is buying or selling securities from a client or where Cape Ann Capital acts as a broker-dealer for a non-client in a transaction with an advisory client - disclose to the clients in writing the capacity in which Cape Ann Capital acts, its profit (if it acts as principal) and its commissions (if it acts as agent for another), and obtain the client's consent. These types of transactions must not be entered into without prior consultation with Cape Ann Capital's Chief Compliance Officer.</p> <p><u>Personal Trading</u></p> <p>Employees may not purchase any equity securities in an initial public offering ("New issue Securities") or any securities offered in a "private placement" for any securities registered in an Employee's name or any account in which an Employee has any direct or indirect "beneficial ownership interest" without prior written approval of Cape Ann Capital's Chief Compliance Officer.</p> <p>Each current Employee must submit an initial holdings report disclosing to Cape Ann Capital's Chief Compliance Officer the identities, amounts and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." Thereafter, each new Employee must submit such a report within 30 days of commencement of employment. In addition, each employee must disclose similar information within 30 days after the end of each calendar year while employed by Cape Ann Capital. Such reports must be current as of a date not more than 45 days prior to the Employee joining Cape Ann Capital (for an initial report) of the date the report is submitted (for the annual report). Each Employee must report to Cape Ann Capital's Chief compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's covered accounts during the preceding quarter.</p>

**Schedule F of  
Form ADV****Continuation Sheet for Form ADV Part II**Applicant:  
Cape Ann Capital, Inc.SEC File Number:  
801-Date:  
03/31/2008

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Cape Ann Capital, Inc.		IRS Empl. Ident. No.: 04-3466809
Item of Form (identify)	Answer	
Page 5 Item 10	For its investment supervisory services, Cape Ann Capital requires a minimum fee based on \$500,000 in assets. If assets fall below \$500,000 at any month-end, Cape Ann Capital's fee for that month is computed using a \$500,000 valuation rather than the actual (lower) valuation.	
Page 6 Item 12A(1)	Each security bought or sold must be of the type allowed in the client's investment policy statement.	
Page 6 Item 12A(2)	No single stock or bond can be more than 5% of a client's portfolio.  No single closed-end mutual fund can be more than 10% of a client's portfolio.  No single actively-managed open-end mutual fund can be more than 30% of a client's portfolio.  There is no limit on the percentage of a client's portfolio that can be invested in a single passively-managed open-end mutual fund, exchange traded fund or exchange traded note.	
Page 6 Item 12A(2)	Cape Ann Capital uses TD Ameritrade (TDA) for all client brokerage. TDA offers excellent service at competitive rates. TDA offers about 13,000 mutual funds, about 3,500 of which can be purchased or sold with no transaction fee. Transactions in the remaining funds are \$24 each way. To discourage market timing, TDA assesses a 0.6 percent redemption fee (\$39 minimum/\$199 maximum) for funds sold within 90 days of purchase.	
Page 6 Item 12A(3&4)	Cape Ann Capital accepts no research or other services from brokers.	

Complete amended pages in full, circle amended items and file with execution page (page 1).