



Firm Brochure  
(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of CapSouth Partners, Inc. If you have any questions about the content of this brochure, please contact us at: (334) 673-8600, or by email at [sbaldwin@capsouthpartners.com](mailto:sbaldwin@capsouthpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state security authority.

Additional information about CapSouth Partners, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. The CRD number for CapSouth Partners is 132517.

March 31, 2015

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## **Material Changes**

### **Annual Update**

The Material changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

CapSouth employees who are also licensed insurance agents do not solicit insurance business from non-clients. However from time to time we may be asked to place insurance for friends, employees, or other individuals who do not have a client relationship with CapSouth. The placement of insurance for non-clients may be approved on a case by case basis.

CapSouth Partners, Inc. has entered into a custodial relationship with T.D. Ameritrade Institutional. If clients would like for CapSouth Partners to be named as the investment advisor on their account they may choose Charles Schwab or T.D. Ameritrade as their custodian.

The hourly rates for one-time financial planning and consulting services have been increased. See page 11 for information. All clients are billed based on their current contract. Client rates are not changed without client notification.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (334) 673-8600 or by email at [sbaldwin@capsouthpartners.com](mailto:sbaldwin@capsouthpartners.com).

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## **Advisory Business**

### **Firm Description**

CapSouth Partners, Inc. was founded in 2001 by Donald P. Bolden (dba CapTrust Advisors at that time). There are currently 15 employees, including one Certified Financial Planner® designee, one Chartered Financial Analyst® designee, one attorney and one accountant. The staff consists of 7 investment advisory representatives, one compliance officer, one technology consultant, four administrative staff employees and one sales person. CapSouth also has one clerical employees (not included in the 15). The firm is federally registered with the SEC (Securities and Exchange Commission) as a Registered Investment Advisor (the term registered does not imply a certain level of skill or training).

CapSouth Partners offers a combination of the following advisory services, where appropriate, to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities.

- Investment management services (Discretionary & Nondiscretionary)
- Financial planning services (Navigator, Focus, One Time Planning, etc)
- Institutional consulting services
- Consulting services to individual clients
- Investment monitoring services

At the start of a client relationship, CapSouth will identify a client's financial background, prior investment experience, investment objectives, goals and restrictions, if any, and risk tolerances, among other things. This information is used in determining which planning recommendations are appropriate for the client and/or which investment recommendations are suitable for the client. CapSouth will update this information on a periodic basis. We also advise all clients to notify us immediately if there is any change to their financial situation or investment objectives.

### **Principal Owners**

Donald P. Bolden is the Principal Owner of CapSouth Partners, Inc.

### **Types of Advisory Services**

The primary type of service offered by CapSouth Partners is ongoing investment supervisory services (asset management), financial planning and ERISA plan consulting. CapSouth also provides investment advice, and consulting services.

#### **Discretionary Investment Management**

We provide discretionary portfolio management services to clients using eight asset allocated risk based portfolios, one stock portfolio, and one market opportunity portfolio. Each portfolio is designed to meet a particular investment goal. These portfolios may contain stocks, bonds, no-load mutual funds, eligible load-waived mutual funds, ETFs and other investments. Discretionary portfolios are managed by Marshall P. Bolden, Chief Investment Officer.

Donald P. Bolden is also approved to manage individual accounts on a discretionary basis. These accounts may contain stocks, bonds, no-load mutual funds, eligible load-waived mutual funds, ETFs and other investments. These accounts are managed based on the client's specific goals and objectives for the account and for tax selling purposes.

**Nondiscretionary Investment Management**

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

**Navigator Program**

This service includes financial planning, assistance with implementation, estate planning, and asset monitoring services (when requested by the client). Financial planning may include identification of financial problems, cash flow and budget analysis, tax planning, social security planning, risk exposure review, education funding, retirement planning, charitable goals, special needs planning, life insurance and disability insurance planning. Financial planning may also include other areas that are specific to the client. We provide online access to MoneyGuidePro so the client can view their financial plan. A hard copy may be provided upon request. This service also includes assistance with implementation of recommendations accepted by the client, meetings as required, a periodic update of the financial plan, and a three to four year review of the client's estate plan, or as needed. If the client has asked CapSouth to monitor assets that we are not the investment advisor on then this will be done as agreed upon by the client and the advisor. AllData is a program designed to provide us with account information on accounts that we are not the direct advisor on. The client must enroll their account in this program. CapSouth only accepts a limited number of new clients into the Navigator Program each year.

**One Time Financial Planning**

This service is one time only with no ongoing assistance or planning reviews. This service may include financial planning, assistance with the initial implementation of recommendations as accepted by the client, estate planning, and a one time review of the client's investment assets. Financial planning may include identification of financial problems, cash flow and budget analysis, tax planning, social security analysis, risk exposure review, education funding, retirement planning, charitable goals, special needs planning, life insurance and disability insurance planning. Financial planning may also include other areas that are specific to the client. We provide online access to MoneyGuidePro so the client can view their financial plan. A hard copy may be provided upon request. The One Time Financial Planning service can be upgraded to the Navigator Program or Focus per the client's request at the completion of the Financial Planning Service. Client's also have the option of engaging in a contract with CapSouth on an hourly basis or as needed for specific issues that the client would like assistance with.

**Focus Program**

This service is available to investment management client's who meet a minimum investment management annual fee of \$3,000. There is no charge above the client's investment management fee for the Focus Program as long as the minimum is met. This service addresses retirement planning, education planning, and risk management. We provide online access to MoneyGuidePro so the client can view their plan. The plan is updated every two to three years, or as needed, as long as the client provides us with updated personal information. Once a client becomes eligible for the Focus Program we will discuss the program with the client. The client can determine if they would like to participate in the Focus program or not. The decision to not participate does not decrease

the standard investment management fee that the client pays. Clients not meeting the minimum \$3,000 per year may elect to enroll in Focus and pay the additional fee for the additional planning services or the Advisor may decide to reduce the minimum.

### **Consulting Service**

Services may be provided that are not described in other types of agreements including but not limited to special estate planning needs, business management, buy-out negotiations, review of client's benefits package, or life and disability policies only. These special services will be clearly defined in the client's contract.

### **Institutional Consulting Services**

CapSouth provides several advisory services separately or in combination to institutional clients. The primary clients for these services are defined benefit and defined contribution pension retirement plans, CapSouth will also offer these services, where appropriate, to individuals and trusts, estates, endowments and charitable organizations. Institutional Consulting Services are comprised of several distinct services. Clients may choose from any or all of the services offered to them by CapSouth.

#### ***Investment Policy Statement (IPS)***

We will meet with the client (either in person or over the phone) to determine the investment goals, objectives, policies, constraints and risk tolerance. We will then prepare a written IPS stating those goals and objectives. The IPS will provide guidance for the selection of investment options and the procedures and timing interval for the monitoring of investment performance. The client is responsible for review and final approval of the IPS. No assurance can be given that the client will achieve the investment objectives in the IPS.

For clients with existing pension or profit sharing plans, we will evaluate the existing IPS and current investment options. We will then meet with the client to discuss and revise as necessary the plans investment objectives and revise the IPS as appropriate and if necessary.

#### ***Investment Manager / Mutual Fund Search Report***

We will provide an Investment Manager/Mutual Fund Search Report consistent with the mutually agreed upon level of analysis. This report will be designed to provide the client with a list of investment managers whose investment philosophies and policies are, in the judgment of CapSouth Partners, compatible with the client's investment objectives, policies, constraints and risk tolerance, as stated in the IPS. It is the client's decision as to which particular investment manager to retain. CapSouth does not assume responsibility for the client's selection of an investment manager or the manager's investment decisions or performance. An investment manager's past performance is not necessarily indicative of future performance.

#### ***Ongoing Investment Manager Due Diligence***

CapSouth will perform ongoing monitoring of the investment managers to ensure policy compliance within the established guidelines of the IPS. We cannot guarantee the accuracy of information provided for the review.

#### *Performance Monitoring Reports*

CapSouth will periodically provide Performance Monitoring Reports based on the procedures and timing intervals stated in the IPS. The Performance Monitoring Reports will evaluate the performance of the client's investments over various time periods as well as comparing various aspects of such performance to benchmarks and peer groups, as established in the IPS.

#### *Employee Education and Communication*

For pension, profit-sharing and 401(k) plan clients where participants exercise control over their own assets, CapSouth may also provide periodic educational support and investment workshops designed for the participants. The nature of the topics to be covered will be agreed upon by the client and CapSouth. The educational support and investment workshops will not provide Plan participants with individualized, tailored investment advice.

#### *Participant Advice*

For plans where the individual participant is exercising control over their own assets, CapSouth offers a service to provide investment advice regarding the participant's retirement plan assets. Each participant should complete a questionnaire regarding their goals and objectives and risk tolerance. The advisor will use this information to make the investment recommendations for the participants' individual retirement plan account. An advisor will be available for participants to contact with questions via phone, on site meetings, or email. The decision to implement the recommendation is the complete responsibility of the participant. CapSouth does not guarantee the future performance of any specific investment or investment allocation. It is the responsibility of the participant to notify CapSouth of any changes in their investment objective or financial condition that may require a change in their allocation. The fee for this service may be paid by the participant or by the plan sponsor according to the consulting agreement which must be signed by the participant or the plan sponsor. We are compensated for this service based on a flat fee or a percentage of assets in order to avoid a conflict of interest when making investment recommendations. CapSouth will not provide individual participant advice to participants of retirement plans where it serves as the plan level consultant and it does not have a level fee arrangement.

#### *Asset Allocation Models:*

CapSouth may provide investment advice to the client with respect to the establishment and management of asset allocation models. CapSouth does not exercise discretion over the selection and monitoring of the investment alternatives referenced or used in the models. The models shall:

- A. be based on generally accepted investment theories that take into account the historic returns of different asset classes over define periods of time;
- B. assure that all material facts and assumptions on which the models are based accompany the models when presented to participants;
- C. be accompanied by a statement indicating that other investment alternatives having similar risk and return characteristics may be available under the plan and identifying where information on those investment alternatives may be obtained; and
- D. be accompanied by a statement indicating that, in applying particular asset allocation models to their individual situations, participants or beneficiaries should consider their other assets, income, and investments in addition to their interests in the plan.



The participants have the option of selecting their own asset allocation and managing the investments themselves or to select one of the asset allocation models. These models are mostly made up of the funds that the participant has access to through the plan. CapSouth will notify the plan provider to make changes to these models without the participant's prior approval. The Client (Plan Sponsor) retains, and will exercise, final decision-making authority over the selection and monitoring of the investment options within the plan. Participants may transfer their accounts out of the models per the Plan's administrative guidelines and per any trading restrictions, requirements, or applicable fees. Participants can enroll in this program either at the time of plan enrollment or online after initial plan enrollment. Marshall P. Bolden, Chief Investment Officer and Anthony B. McCallister, Director of Retirement Plans determines the asset allocations and investment decisions for these models.

*Additional Services for Employee Benefit Plans:*

We can also consult with the plan sponsor in the areas of plan design, administration, and provider due diligence, request for proposals, fee negotiations, enrollment packages, and fiduciary responsibilities. The services to be offered will be determined by the client and will specifically outlined in the contract.

**Investment Monitoring Program**

The Investment Monitoring Program allows a client to request that CapSouth monitor client accounts where we are not listed as the investment advisor. Based on the information obtained from the client, including the client's goals, risk tolerance and objectives, CapSouth will review the investments, taking into consideration the information obtained from the client. We will meet with the client at least annually to review the account, allocation of the assets, and to update the client profile to reflect any changes in the client's circumstance.

CapSouth will not be involved in any way in the purchase or sale of these investments. We will review the client's portfolio and make investment recommendations to the client as market factors and the clients needs dictate. The final decision to implement the recommendations is the responsibility of the client. We can not have direct access to the client's account. The client is responsible for providing us with duplicate statement copies.

**Tailored Relationships**

Our advisory services or recommendations are tailored to the individual needs of clients. Client goals and objectives are discussed in meetings or through correspondence, and are used to determine the recommendation to the client. The goals and objectives for each client are maintained electronically or in hard copy format.

CapSouth will accept limited individual client restrictions on securities in the discretionary portfolios.

## **Managed Assets**

As of December 31, 2014, CapSouth Partners, Inc. managed approximately

\$116,470,406 in assets for about 607 accounts

Approximately \$108,425,199 is managed on a discretionary basis

Approximately \$ 8,045,207 is managed on a nondiscretionary basis

## **Fees and Compensation**

### **Description**

CapSouth Partners, Inc. bases its fees on a percentage of assets under management, flat fees, hourly fees or a percentage of a client's net worth or total assets. All fees are negotiable.

### **Fee Schedule**

#### **Investment Management Services (Discretionary & Non Discretionary)**

The standard fee for investment management is charged as a percentage of assets under management. The fee may range up to 2.25% based on the market value and the complexity of the client's relationship. There is a minimum annual fee of \$1,500 per household. The minimum fee may be waived under certain circumstances. A client can be charged a flat percentage fee based on the type of assets in the account. An increase or decrease can be applied to the fee schedule based on the individual client situation. The client's exact fee schedule is shown on the client's signed contract.

- Fees are charged in advance at the beginning of each quarter.
- Fees are based on the market value of the account on the last trading day of each quarter (unless otherwise stated on the contract).
- Fees are prorated based on the number of days in which the account was under management for the quarter.
- Additions to client accounts over \$100,000 may be made at any time and could result in a prorated fee adjustment.
- Fee adjustments will not be made for separate withdrawals during a quarter.
- Account Balances are totaled together for clients in the same household to determine the blended fee (see the sample fee calculation below).

\*The CapSouth Value Portfolio has a separate management fee; the maximum fee is .60% plus the standard fee schedule.

**Sample Fee Calculation:**

A typical quarterly fee for a client with two investment management accounts and the below fee schedule on their contract would be calculated as follows

<b>Beg Acct Value</b>	<b>Ending Acct Value</b>	<b>Fee</b>
0	\$150,000	1.5%
\$150,001	\$1,000,000	1.0%
\$1,000,001	\$20,000,000	.50%

Acct # 1 Balance as of 09.30.2013 \$350,000

Acct # 2 Balance as of 09.30.2013 \$ 75,000

Total Assets under Management	\$425,000
Blended Fee Rate	1.176% per year
<b>Qtrly fee</b>	\$1,249.50
<b>Annual Fee</b>	\$4,998

**Navigator Program**

The fee for the Navigator Program is a flat fee or based on a percentage of the client's total assets or net worth. The fees are adjusted based on the complexity of each case. Initial fees are determined at the beginning of the relationship and are stated in the signed client contract. If a client has assets under management with CapSouth there may be a discount applied to the Navigator Program fee. If the fee is based on the client's net worth or assets the fee may be determined annually or quarterly depending on the type of assets that need to be valued. The fee is billed to the client quarterly in advance.

A typical Navigator Fee ranges from \$4,000 per year to \$16,000 per year.

**One Time Financial Planning**

The fee for one time Financial Planning is charged based on a flat fee or an hourly fee. The fee will be adjusted based on the complexity of each case. The fee is determined at the beginning of the relationship and stated in the signed contract. The terms of payment are also specified in the client contract. Hourly clients are billed monthly or quarterly in arrears at the beginning of each month or quarter. For hourly clients estimates are provided and a deposit is requested. Estimates for hourly work are not guaranteed.

A typical Financial Planning fee ranges \$750 to \$4,000

Hourly rates	
Senior Planner (with the CFP® designation)	up to \$325/hr
Chief Investment Officer	up to \$275/hr
Associate Planner	up to \$150/hr
Non-Planner Staff	up to \$ 75/hr

**Focus**

For a client to be eligible for the Focus program at no additional charge they must meet a minimum investment management fee of \$3,000 per year. A client that does not meet the minimum but still wants to participate in the Focus program does have that option. The client will be billed the difference between their quarterly investment management fee and

\$750. This fee will be calculated and billed at the beginning of each quarter in advance either by invoice or deducted from the client account, per the clients instructions

### **Consulting Service**

Consulting fees will be based on an hourly charge ranging up to \$325 per hour or a flat fee. The fee will depend on the nature and complexity of the client's consulting needs. All fees are agreed upon prior to entering into a contract. CapSouth has a minimum consulting fee of \$750. The minimum fee may be negotiable. The client will be invoiced in advance for flat fees, and on a monthly or quarterly basis for hourly fees. An upfront deposit on hourly fees may be requested. All terms of payment or specified in the contract.

### **Institutional Consulting Services**

The fee for Institutional Consulting Services is based on a percentage of plan assets or a flat annual fee. The fee may be up to 1.25% of plan assets for ERISA accounts and up to 2.50% for Non-ERISA accounts. The fee will be based on the services requested and the size and make up of the plan. Typically a minimum annual fee of \$1,750 to \$2,500 applies. Plan sponsors will be invoiced in advance at the beginning of each quarter based upon the value of the plan at the end of the previous quarter or the agreed upon flat fee. Plan sponsors may elect to have the fee taken out of the assets of the plan by the record keeper or to have the fee paid by the employer.

This fee may include the following services:

- Investment Policy Statement
- Investment Manager / Mutual Fund Search Reports
- Ongoing Investment Manager Due Diligence
- Performance Monitoring Reports
- Employee Education & Communication

### **Participant Advice**

The fee for advice to individual participants ranges from .25% to 1% per year based on the complexity of the individual's situation or the agreement with the plan sponsor. In general a minimum fee of \$100 applies, however this fee can be waived at CapSouth's discretion. For investment advice provided at the plan level the fee is included as part of the overall fee to the plan.

### **Asset Allocation Models**

The fee for the Asset Allocation Models service will be paid under one of following fee arrangements. If paid at the plan level, the fee will be a percentage fee per year, not to exceed .15% per year of the fair market value of the assets of the retirement plan. If paid at the participant level, the fee will be a percentage fee per year of the fair market value of the individual's account that elects to use the service. The participant level fees range from .40% - .60% per year. This fee is charged in advance and may be paid by direct invoice or it may be deducted from the plan assets. Alternatively, the fee may be included at the plan level as part of the overall fee.

### **Investment Monitoring Program**

The fee for the Investment Monitoring Program is calculated as a percentage of assets being monitored or a flat annual fee. This percentage fee may be up to 2%. The fee will depend on the nature and complexity of the client's circumstance. The fee will be agreed upon in advance of services being rendered. Clients will be invoiced quarterly

in advance. The percentage fee will be based the value of the asset at the end of the previous quarter.

### **Fee Billing**

Private clients may choose to have fees deducted from a designated brokerage account at Charles Schwab or TD Ameritrade. The client must approve in writing the direct debiting of their investment account. Private clients may also choose to be invoiced directly. All fees are charged in advance.

For Institutional clients the plan sponsor will be invoiced in advance at the beginning of each quarter. This fee is based on a fixed dollar amount or on the value of the plan at the end of the previous quarter. Plan sponsors may elect to have the fee taken out of the assets of the plan by the record keeper or the plan sponsor may pay the fee themselves. To have fees deducted from the plan it must be approved in writing by the Client and a copy of the invoice will be sent to the Plan Sponsor and to the record keeper. All fees are charged in advance.

If the advisory contract is terminated the client will receive a pro-rated refund for the fee paid during the quarter the contract was terminated. Clients should terminate their contract in writing. We will take the last fee charged to the client and pro-rate it based on the number of days the client was in the program for that particular quarter. The refund will be received as a credit to the client's account or the client could receive a reimbursement check.

### **Other Fees & Conflicts of Interest**

Investment advisory services are separate and distinct from fees and expenses charged by mutual funds and/or ETFs to their shareholders. The fees of each fund can be found in each of the Fund's prospectuses. Fees will generally include management fees, other fund expenses and may include distribution fees. We encourage our client's to review a fund's prospectus carefully. Clients can invest in certain funds directly, without the service of CapSouth.

Custodians may charge transaction fees on purchases or sales of certain mutual funds, stocks, bonds, and exchange traded funds. In some cases, custodians also charge an annual custody fee. Fees for custody are disclosed to the clients prior to the client opening an account with a custodian. Please see the section entitled, "Brokerage Practices" for more information.

We may at times impose a minimum advisory fee in order to cover the costs of our investment advisory services. All such fee arrangements are disclosed to and subject to negotiation with the client. Our current minimum advisory fee is \$1,500 per year.

We will aggregate accounts together to give the client a blended discounted fee. Our normal practice is to combine accounts for clients in the same household.

CapSouth is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act. Our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

To avoid prohibited transactions, we may only charge fees for investment advice about products for which our firm and/or related persons do not receive any commissions or 12b-1 fees.

CapSouth Partners may be named as the Investment Advisor on a retirement plan in which the participant is also a private client of CapSouth. This dual relationship creates a conflict of interest. The conflict is due to the fact that we cannot guarantee better performances for a client on assets that we directly manage and the client may pay a higher fee. CapSouth does not give participant distribution or rollover advice when it also provides participant level investment advice or plan level consulting services. If a participant elects to use CapSouth Partners as the Advisor for an IRA rollover, a rollover disclosure form must be signed.

Employees of CapSouth may also be licensed insurance agents and may recommend that a client purchase an insurance or annuity product. Clients are under no obligation to purchase these products through CapSouth employees. If a client does decide to purchase a fixed insurance / annuity product recommended by a CapSouth employee the client should be aware that the employee and the firm may receive additional compensation. It is our goal at all times to put the interest of the client first; however clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

In order to address conflicts of interest we educate employees on our fiduciary duties as a firm. Our responsibility is to always put the best interest of the client first. We acknowledge that even with a firm wide concept of client first, conflicts still occur. We try to remove as many conflicts as possible, and we discuss these conflicts with our clients in advance.

Clients always have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with CapSouth. Sometimes these products may be at a lower cost than they would be through CapSouth.

## **Performance Based Fees**

CapSouth does not participate in any type of performance based fees.

## **Types of Clients**

### **Description**

CapSouth generally provides investment advice to individuals, trusts, corporations, and pension plans. A minimum account size of \$150,000 is required to open an account. This minimum is negotiable based on certain circumstances.

## **Methods of Analysis, Inv. Strategies and Risk of Loss**

### **Methods of Analysis**

In evaluating equities, we primarily use fundamental analysis. The main sources of our information are Morningstar and company websites. Mutual funds are selected by

screening funds for funds that meet certain criteria. We look at manager tenure, past performance, risk levels, expenses, investment philosophy, etc. The main sources of our information are Morningstar and individual mutual fund company websites. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

We have eight risk-based portfolios. All 8 portfolios use the same mutual funds and/or ETFs, but each one has a unique asset allocation, or mix of the investments being used. Each portfolio has a designated risk level and a target return. The asset allocations will change periodically based on our evaluation of market and economic conditions.

The CapSouth Value Portfolio is a strategy that invests primarily in individual stocks but may also have a smaller exposure to ETFs. The goal of this portfolio over time is to outperform the Russell 3000 Index. The stock universe is narrowed down by using quantitative screens and then fundamental analysis is used to further evaluate the resulting stocks. This strategy will generally have around 30 holdings. Given this higher concentration, its returns are more susceptible to company and stock specific events.

The Market Opportunity Portfolio is a strategy that allows the managers to invest in areas where they perceive the greatest opportunities for return. The goal of the portfolio is a 7% return while taking 35% less risk than the custom blended index. The manager may use individual stocks or bonds, mutual funds, ETFs and other investments. The asset allocation may change rapidly and drastically; it may range from 100% cash and fixed income to 100% equities. ETFs that offer inverse exposure to specific areas of the market may be utilized; this is often referred to as 'selling short.'

### **Risk of Loss**

All investment programs have certain risks. CapSouth manages portfolios with a goal of getting a good rate of return for the amount of risk taken. We believe that the pain of losing money is greater than the joy of making money. The following risks may be associated with all of our investments and portfolios: loss of principal, interest rate risk, market risk, inflation risk, currency risk, reinvestment risk, liquidity risk, credit risk, counterparty risk, financial risk and emerging markets risks including, but not limited to, political risk, less developed and/or efficient trading markets, differing accounting and legal standards, etc.

Securities investments are not guaranteed and you may lose money on your investments.



## **Disciplinary Information**

### **Legal and Disciplinary**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present activities.

## **Other Financial Industry Activities & Affiliations**

### **Activities**

CapSouth may from time to time provide business consulting services addressing, among other things, business valuation, succession planning, buy-sell agreements, stock purchase agreements, insurance planning, deferred compensation, and executive compensation planning. CapSouth may also provide businesses with a range of services related to mergers and acquisitions. These services are separate and distinct from the advisory services provided by CapSouth, and are provided for separate and typical compensation.

Related persons of CapSouth may also be insurance agents for insurance companies. In this capacity individuals may receive revenue from the sale of fixed insurance and annuity products. These related persons may sell insurance products to CapSouth clients and from time to time non-clients.

### **Affiliations**

CapSouth does not have any arrangements or affiliations with any person or entity that would be material to its advisory clients. We may at times recommend clients use certain legal or tax professionals based on the client's needs, however we do not receive any separate compensation for these referrals.

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

### **Code of Ethics**

CapSouth has a Code of Ethics in place. This Code of Ethics is reviewed on an annual basis for any necessary revisions and signed and acknowledged by the employees on an annual basis. Our Code of Ethics outlines the established rules of conduct for all CapSouth employees. It is designed to govern personal securities trading for employees, the acceptance and delivery of gifts and entertainment from or to clients, the protection of client information, our fiduciary duty to our clients among other things. Clients may request a copy of our Code of Ethics by emailing Sonya Baldwin at [sbaldwin@capsouthpartners.com](mailto:sbaldwin@capsouthpartners.com) or by calling 334-673-8600.

### **Participation or Interest in Client Transactions**

Employees of CapSouth may buy or sell securities that are also held by clients. This creates a potential conflict of interest. Employees may not enter trades for a security in their own personal account before entering trades in client accounts. Sonya Baldwin and/or Marshall Bolden review all trades with special attention being paid to



employee or employee related trades. Marshall Bolden is the Chief Investment Officer and manages the discretionary portfolios. Marshall's personal trades are reviewed and documented to ensure compliance with our Code of Ethics by Sonya Baldwin. The sizes of the trades that are entered are not considered significant, and should not affect the securities market.

## **Brokerage Practices**

### **Selecting Brokers/Custodians**

CapSouth does not maintain custody of your asset that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw our fee from your account (see Custody, below). Your assets must be maintained in an account at a "qualified custodian", generally a broker dealer or bank. In order for CapSouth to directly transact business on behalf of our clients' accounts must be held at Charles Schwab & Co., Inc. or TD Ameritrade, Inc. both are a registered broker dealer & custodian.

We are independently owned and operated and are not affiliated with Charles Schwab or TD Ameritrade in any way. The custodian will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. You will determine if you want to use Charles Schwab or TD Ameritrade. You will open your account directly by entering into an account agreement with the custodian. We do not open the account for you, although we will assist you in doing so. If you do not wish to place your assets with Charles Schwab or TD Ameritrade then we will not be able to directly manage your account.

When selecting custodians / broker dealer to recommend to clients we consider a wide range of factors, including among others:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Availability of investment products (stocks, bonds, mutual funds, exchange traded funds, etc.)
- Quality of services
- Competitiveness of the prices of services and the willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our customers

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### **Soft Dollars**

CapSouth Partners endeavors to act in each of its client's best interest. However, CapSouth's requirement that clients maintain assets in accounts at Charles Schwab or TD Ameritrade may be based in part on the benefit to CapSouth Partners of the availability of some of the products and services and not solely on the nature, cost

or quality of custody and brokerage services provided, which may create a potential conflict of interest.

### **Charles Schwab**

For our client accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10,000,000 of their assets in accounts at Schwab.

### Products and Services Available to Us from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to institutional brokerage-trading, custody, reporting, and related services-many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of these services help us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

### Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research (which at this point CapSouth does not use) however we do have access to and can use to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events

- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself, in other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

CapSouth does not utilize all of these benefits however they are available.

#### Our interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services as long as our clients collectively keep a total of at least \$10,000,000 of their assets in accounts at Schwab. The \$10,000,000 minimum may give us an incentive to recommend you maintain your account with Schwab, based on our interest in receiving Schwab's value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. Our decision to offer Schwab as a custodian and broker to our clients is supported by the scope, quality, and price of Schwab's services (see *Selecting Brokers/Custodians*) and not Schwab's services that benefit only us.

#### **TD Ameritrade**

CapSouth Partners, Inc. is not a party to any formal soft dollar arrangements with TD Ameritrade. CapSouth does receive certain products and services from TD Ameritrade free of charge.

#### Services That May Directly Benefit You

TD Ameritrade provides CapSouth with access to their institutional trading and custody services. They also provide us access to some investments that may not be available through their retail division, or could possibly have a higher transaction fee if traded through the retail division. The availability of these services and products is not contingent upon CapSouth having any specific amount of assets in custody or any volume or frequency of trading.

#### Services That May Not Directly Benefit You

TD Ameritrade also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts.

- Software and other technology that provide access to client account data
- Access to electronic order entry, including the simultaneous entry of trades for multiple accounts
- Pricing information
- The receipt of duplicate trade confirmations, statements, and tax forms
- Direct advisory fee debiting capabilities
- Access to market and industry research
- Assistance with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us

TD Ameritrade also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events

- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

TD Ameritrade may provide some of these services itself, in other cases, it will arrange for third-party vendors to provide the services to us. They may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CapSouth does not utilize all of these benefits however they are available.

### **Brokerage for Client Referrals**

CapSouth or any related person of CapSouth does not receive referrals from a broker-dealer or third party.

### **Directed Brokerage**

CapSouth does not offer directed brokerage. Clients have the option to determine if they would like their accounts held with Charles Schwab or TD Ameritrade. We will provide the client with information on the custodian/broker dealer however the client has the final decision on where to maintain their account. If a client would like to have their trades executed through another broker we will not be able to directly manage the account (enter trades, make requests on your behalf).

## **Review of Accounts**

### **Periodic Reviews**

- (1) Account Review Meetings: the frequency of this type of review is determined on a client by client basis. This type of meeting could be set up quarterly, semi-annually or annually based on the needs of the client. The main focus of these meetings could change by quarter with a general focus on performance reviews, investment reviews and recommendations, cash flow monitoring, risk tolerance and objective review. For clients in the Navigator Program one meeting per year will be focused on updating and reviewing their long range plan. For Focus Clients one meeting every two to three years will be used to update their Focus Plan. In some cases the review schedule may be altered based on the specific needs of the client, this will be agreed upon by the client.
- (2) Discretionary Account Reviews: accounts that are in the CapSouth discretionary portfolios are reviewed on at least an annual basis in order to ensure that the accounts are within the guidelines of the Investment Policy Statements. These reviews are conducted separately from a review meeting with a client.

Account reviews are performed by Donald Bolden, Lewis Robinson, Billy McCarthy, Scott Bales or Anthony McCallister (retirement plans). Navigator Program reviews are conducted by Donald Bolden and Lewis Robinson. Focus Review are conducted by Donald Bolden, Scott Bales, Lewis Robinson, or Billy McCarthy. Discretionary Account Reviews are conducted by Marshall Bolden and Donald Bolden.

## **Review Triggers**

Account reviews may be performed outside of the standard procedures when a client's investment objectives or life circumstances change, when a client requests a review, and, in the case of discretionary accounts, when the target asset allocation of the underlying portfolio is changed.

## **Regular Reports**

Performance reports are sent to all investment management clients on a quarterly basis. At a minimum the reports contain performance information for the quarter and year to date, market values, dividend and interest income, and year to date management fees, and the holdings as of the date of the report.

Navigator clients will receive an annual or bi-annual update report to their Navigator Plan. This report will contain an update of all of their assets and liabilities, stated goals, various scenarios summarizing the results of their plan and any recommended changes. This report is available as a hard copy or online through the planning program MoneyGuidePro.

Focus clients will receive a report that updates their Focus Plan every two to three years. This report will contain an update of their assets and liabilities, their retirement and education goals, and various scenarios summarizing the results of their plan and any recommended changes. This report is available as a hard copy or online through the planning program MoneyGuidePro.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

CapSouth is very pleased to accept referrals from clients, attorneys, accountants, friends or other sources. We do not pay for these referrals. Certain employees may receive a bonus for bringing a new client relationship to the firm.

### **Referrals to Other Professionals**

CapSouth does not accept any referral fees from other professionals when a prospect or a client is referred to them.

## **CUSTODY**

### **Account Statements**

For accounts held with Charles Schwab or TD Ameritrade under government regulations, we are deemed to have custody of your assets, because you authorize us to instruct the custodian to deduct our advisory fees directly from your account. Charles Schwab and TD Ameritrade maintain actual custody of your assets.

All client assets are held with a qualified custodians who will provide account statements directly to your address of record or email if you elect, at least quarterly. You should carefully review those statements promptly when you receive them.

## **Statements Provided by CapSouth**

We will prepare quarterly performance reports for investment management clients. We urge you to compare these quarterly performance reports with the statements that you receive from your qualified custodian.

Clients may also be provided with net worth statements and other reports generated from our financial planning software. These types of reports contain bank account balances, liability information, real estate values and other financial data. This information is obtained by the client or through a direct link that the client has established between AllData and their institution. Some of these assets may be hard to value and we will rely on the client to confirm this information. This type of information is used in long range planning for the client. Clients are urged to confirm this information periodically.

## **Investment Discretion**

### **Discretionary Authority for Trading**

CapSouth accepts discretionary authority to manage securities on the behalf of clients. We use discretion in determining the securities to be bought and sold, the quantity to be bought and sold, and the timing of the transactions. Discretion means we can act on your behalf without your approval for each transaction. If discretionary authority has not been given to us by the client we will obtain the client's approval prior to each transaction. Discretionary trading allows us to efficiently process trades in client accounts once changes in portfolios have been approved. Clients receive confirms of all trades and may call to discuss the transactions with us at any time.

### **Discretionary Authorization**

In order for CapSouth to have discretionary authority over a client's account the client must sign a discretionary agreement in writing. This agreement must be then approved by the Investment Advisor Representative and also the Chief Investment Officer. Each custodian also requires the client sign giving the Advisor trading authorization over their account. This is done at the time the account is opened using account applications.

## **Voting Client Securities**

CapSouth does not have the authority to vote proxies on behalf of its clients. Clients will receive proxies or other solicitations directly from the custodian or transfer agent not from CapSouth. If a client has a specific question and would like to discuss it with an Advisor they may do so by calling our office at 334-673-8600 (Dothan) or 678-272-7555 (McDonough).

## **Financial Information**

### **Financial Condition**

CapSouth does not have any financial condition that will preclude us from meeting our contractual commitments to our clients. Since we do not require prepayment of more than

\$1,200 in fees per client, six months or more in advance a balance sheet is not required to be provided.

## **Business Continuity Plan**

### **General**

CapSouth has a Business Continuity Plan in place that outlines the steps that need to be taken in case of an emergency. The issues that could affect our ability to serve our clients range from power outages, tornadoes, fire or the death or disability of a key employee.

We have established alternate office locations should a disaster have a long term effect on our place of business. We have a plan in place to allow employees to know what steps to take should a natural disaster occur in an effort to have as little impact as possible to our clients. Employees are cross trained and key man life insurance is in place should a key employee become deceased or disabled.

## **Information Security Program**

### **Information Security**

We internally safeguard your nonpublic, personal information by restricting access to only those employees who provide advisory services to you or those who need access to your information to service your account. Employees are educated on the importance of maintaining confidentiality of client information. In addition, we will maintain physical, electronic and procedural safeguards to guard your nonpublic, personal information.

### **Privacy Information**

CapSouth Partners understands the extremely private nature of information we obtain from our clients in order to provide them with financial services. We take every precaution to keep your nonpublic, personal information safe and secure. Our Privacy Notice is designed to explain what type of information we collect, how it is used and with whom it may be shared.

To conduct regular business, we collect nonpublic, personal information from you. This information is obtained by applications or other forms you provide to us as well as through interviews and client meetings.

### **Sharing of Client Information**

With your permission, we disclose limited nonpublic information solely to service your accounts. This information would be provided for example to attorneys, accountants, mortgage institutions, brokers and custodians as requested by you or as necessary to service your account. We do not disclose any nonpublic, personal information about our customers or former customers to anyone, except as permitted by law. We do not sell personal information that is collected from customers. We use all information collected to provide you with the products and services that you request and to fulfill legal and regulatory requirements.

To provide the utmost in service, we may share the below information as necessary, to companies to perform certain services on our behalf, or as required by law.

- Information the firm receives from clients on applications (name, social security number, address, assets, etc.)
- Information about client transactions with our firm or others account information

#### Sharing of Client Information with Third Parties

Our firm is very selective in choosing third parties to assist us in servicing our clients, and we do not sell to third parties any personal client information. As needed, we may share nonpublic, personal information to affiliated or nonaffiliated third parties. The information that we may share is the information we collect as described above. We may disclose nonpublic, personal information about you to the following types of affiliated or nonaffiliated third parties as permitted by law:

- Vendors and service companies that assist us in providing products and services to our clients, such as custodians & broker/dealers, portfolio service providers, planning software providers, etc..

Please contact us if you would like a copy of our Privacy Notice or want more information about our privacy policies. You may contact us at [sbaldwin@capsouthpartners.com](mailto:sbaldwin@capsouthpartners.com) or by telephone at (334)673-8600.