



## **SEC Form ADV Part 2A**

### **Address:**

599 9th Street North, Suite 101  
Naples, Florida 34102

### **Contact Information:**

Toll free: (877) 842-6221  
Office: (239) 963-1636  
Fax: (239) 430-0900

### **Website:**

[Naplescapitaladvisors.com](http://Naplescapitaladvisors.com)

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Disclaimer: This narrative brochure has not been approved by the Securities Exchange Commission or by any state securities authority. Naples Capital Advisors, Inc. is an S.E.C. registered firm; however, its affiliation with the commission does not imply a certain level of skill or training.

## SEC Form ADV Part 2A

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### Item 1 - Advisory Business

Naples Capital Advisors (NCA) provides customized investment management services for high net worth individuals, families, trustees, charitable foundations, and retirement plans. The investment strategy is based upon fundamental research and incorporates a bottom-up, value approach emphasizing individual global securities. NCA primarily implements its global multi-cap value investment style, but additionally offers other equity and fixed income strategies to meet individual clients' needs. Each client's asset allocation is uniquely determined based upon their investment objective, time horizon, and tolerance for risk. As of December 31, 2010, Naples Capital Advisors had \$194 million in assets under its advisory/management authority.

### Item 2 - Fees and Compensation

Advisory fees are paid by clients to NCA for ongoing investment management services and are determined by application of a market value based schedule.

<u>Annual Advisory Fee</u>	<u>Annual %</u>
First \$1 million dollars	1.00%
Next \$2 million dollars	0.80%
Next \$2 million dollars	0.60%
Amounts over \$5 million	0.50%

Advisory fees are generally collected monthly, in arrears, at annualized rates. Each client or aggregation of family portfolios is valued on the last business day of the month for fee calculation purposes. Related accounts may be considered together when applying tiered pricing. Fees are automatically deducted from a client's account unless special arrangements for alternative billing are made. In cases where an investment advisory relationship begins after the first day of a billing period, or terminates prior to the last day, fees are prorated for the period.

The annual advisory fee is the only fee paid to Naples Capital Advisors. Money market mutual funds used for the short-term investment of liquidity and Exchange Traded Funds may have internal fees and charges that are reflected as a reduction in yield or return.

Investment trades placed with custodians holding client assets are subject to individual fixed transaction costs which are assessed by and for the sole benefit of the custodian. A typical flat fee is charged for a single lot equity purchase while a bond trade tends to have a built-in markup on each purchase. Specific fees imposed by the custodians are disclosed by the custodians when client accounts are established.

### Item 3 - Performance-Based Fees and Side-By-Side Management

NCA does not charge performance-based fees. The annual advisory fee described in Item 2 is the only fee charged by or paid to NCA, directly or indirectly.

#### **Item 4 - Types of Clients**

Naples Capital Advisors (NCA) provides discretionary investment management services for high net worth individuals, families, trustees, charitable foundations, and retirement plans. In order to be effectively diversified while applying the customized approach offered by NCA, and given our preference for utilizing individual securities as opposed to mutual funds or packaged products to meet client objectives, we typically suggest a client relationship minimum portfolio value of \$1 million. Related family accounts may be considered together for purposes of reaching the client relationship minimum. In certain instances exceptions to this minimum may be made for client relationships that are expected to soon reach the minimum threshold and/or are willing to pay an agreed upon minimum annual advisory fee.

#### **Item 5 - Methods of Analysis, Investment Strategies and Risk of Loss**

NCA's investment process centers on building portfolios that own a well diversified group of global businesses that are undervalued based on fundamental valuation metrics. NCA will fully utilize asset allocation and creative, but risk adjusted diversification to meet our client's needs. To achieve this, a core portfolio is built on a foundation of diversified or low correlated asset classes. Portfolios will be directly invested in a wide variety of securities custom selected for each of our clients:

##### **Equities**

- U.S. equity markets: varied capitalizations (individual large, mid, small, and micro-cap equities)
- International and Emerging markets
- Closed End Equity Funds and Exchange Traded Funds (ETFs)
- Real Estate Investment Trusts
- Natural Resource linked securities (Timber, Energy MLP's and Commodity Companies)

##### **Fixed Income**

- U.S. Government, U.S. Government Agency, and individual investment grade Corporate bonds
- Preferred and hybrid debt securities
- Closed End Funds (Emergency Market Debt and High Yield)

##### **Cash Equivalents**

- U.S. Government Securities Funds
- Money Market mutual funds
- Bank Certificates of Deposit

There are inherent risks involved in buying and selling securities. NCA will assist the client in developing an Investment Objective for their overall relationship and/or individual account. The Investment Objective will define a target asset allocation after taking into consideration the client's

financial priorities, return objective, willingness to take risk, time horizon, tax status, obligations and constraints and any unique considerations discussed with the client.

Our investment process is designed, at its core, to identify undervalued securities that meet strict financial criteria, while emphasizing long-term ownership and low turnover. We have a strong preference for the use of individual securities as opposed to mutual funds or other packaged products.

Our active portfolio management is predicated on fundamental research and analysis.

While we aim to minimize portfolio turnover, we recognize that the world's investment markets are ever changing and at times demand decisive action. Our investment platform provides low transaction costs and best price execution, removing the fear of making changes as the markets dictate. New portfolios are invested over a period of time as the market dictates.

NCA focuses on absolute investment return and minimizing principal loss. To that end, we maintain multiple layers of risk limiting guidelines in the management of the discretionary equity component of our portfolios:

- Ensure diversification with a maximum exposure of 25% in any single market sector.
- 50% maximum exposure to non-U.S. developed or EAFE (Europe, Australia, Far East) companies.
- 25% maximum exposure to emerging markets' securities.
- Less than 10% of any single company's outstanding stock and/or debt.
- Any single equity holding is limited to 6%, and fixed-income positions are limited to 10% of the total portfolio value. (However, concentrated positions with low tax cost basis or client directed may exceed those limits).
- Typical initial equity purchase positions begin at 1 to 2%, with tactical reductions starting around 4% of equity allocation.

Additionally, individual fixed income positions are generally limited to a maximum of 10% of the total portfolio value.

## **Item 6 - Disciplinary Information**

Neither Naples Capital Advisors, Inc. nor any of its employees have ever been involved in any legal dispute, arbitration or received any disciplinary action or sanctions of any kind with regards to business practices from the SEC, a client or otherwise.

## **Item 7 - Other Financial Industry Activities and Affiliations**

Naples Capital Advisors is an S.E.C. registered investment advisor and is a wholly-owned subsidiary of TIB Financial Corp. The majority shareholder of TIB Financial Corp. is North American Financial Holdings, Inc. North American Financial Holdings, Inc. is the parent company of Capital Bank, N.A. The primary office of Naples Capital Advisors is located in the same building as an affiliated bank. The

affiliated companies share many back-office functions and expenses such as financial accounting and reporting services, compliance management, human resources and information technology support.

In order to avoid any real or perceived conflict of interest, the firm will purchase and/or retain stock of its parent holding company in portfolios only when the client has directed the firm to purchase and retain the aforementioned stock.

NCA will not review, provide advice nor liquidate the holding company stock unless the cash flow needs of the account deem such liquidation as necessary. Typically, the firm will not include the value of parent company stock in assessing management fees.

Wherever possible, parties-in-interest or beneficiaries will be asked to vote proxies for account holdings of parent company common stock.

Naples Capital Advisors, Inc. may vote its parent company common stock proxies only when positive instructions are provided by interested parties. Otherwise, the firm shall abstain from voting.

#### **Item 8 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

NCA has adopted a Code of Ethics, which outlines the standards of business conduct expected of the firm's Access Persons and Supervised Persons (i.e., employees, officers, directors). This is designed to prevent potential conflicts of interest and the infringement of statutory and other rules relating to insider trading and similar activities.

As a registered investment adviser, Naples Capital Advisors has a fiduciary duty to each and every client of the firm. The policy of Naples Capital Advisors (NCA) is to protect the interests of each of the firm's clients and to place the client's interests first and foremost in each and every situation. The firm's fiduciary duty also includes, but is not limited to: providing full and fair disclosure of all relevant facts and any potential or actual conflicts of interest, a duty of loyalty and good faith, providing recommendations that are suitable, and seeking best execution of all client transactions. Furthermore, it is the duty of all NCA employees, officers and directors to conduct themselves with integrity. In the interest of this belief, all personal securities transactions will be conducted consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility. The fundamental standard of this Code is that personnel should not take any inappropriate advantage of their positions.

NCA recognizes that it is customary for investment people to own individual securities. Firm employees are allowed to purchase and own for themselves securities that the firm may be recommending to clients. However, the code of ethics provides that the employees (including portfolio managers and traders) may not take personal advantage (for example the front running of purchases or sells) of any information that they may have concerning NCA's current investment strategy. The Code of Ethics additionally includes several key tenets designed to ensure that no employee favors himself or herself over clients owning the same securities.

Employees are strongly urged not to buy and sell the same security within 30 calendar days. NCA

requires prior approval for participation in initial public offerings (IPO) and private placement by the firm's Compliance Officer (CO). The CO must be provided with full details of the proposed transactions (including written certification that the investment opportunity did not arise by virtue of the supervised person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts. Each member of the firm must strive at all times to protect against unauthorized access to material nonpublic information of clients or prospective clients, and against any anticipated threats to the security of client records or information, and against use of client records that could result in harm to any client.

No officer, director or employee of Naples Capital Advisors shall trade securities, either personally or on behalf of others, including investment companies and private accounts managed by Naples Capital Advisors, while in the possession of material non-public information directly or indirectly acquired.

Each officer shall be provided a copy of the Code of Ethics and shall be required to submit a written acknowledgment that s/he received it. Each employee shall be provided a copy of the Code of Ethics. A copy of the Code of Ethics shall be made available to clients upon request.

## **Item 9 - Brokerage Practices**

NCA is authorized to determine, without specific client consent, the broker or dealer for securities transactions in the client's account. NCA does not receive any soft dollar benefits as a result of client brokerage arrangements. NCA's objective in selecting brokers and dealers and in effecting portfolio transactions is to obtain the best combination of price and execution. The best net price, allowing for brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. The factors include, but are not limited to NCA's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of transaction; nature and character of the markets for the security to be purchased or sold; desired timing of the trade; activity existing and expected in the market for the particular security; confidentiality; execution, clearance and settlement capabilities as well as the reputation and financial soundness of the broker-dealer selected and others which are considered; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

NCA may simultaneously effect transactions in the same security for a number of client accounts. Orders for the same security may be combined or "bunched" to facilitate best execution and to reduce costs. NCA will execute bunched transactions in a manner designed to ensure that no client is favored over any other client. Generally, each client will receive the same average price as other participants in the bunched transaction. Securities in a bunched transaction are allocated pro-rata, when possible, in proportion to the size of the order placed for each account. NCA may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if NCA is not able to fully execute a bunched order, NCA may allocate the partial execution in a manner determined in good faith to be a fair and equitable allocation.

## **Item 10 - Review of Accounts**

NCA Portfolio Managers develop specific goals and objectives with each client prior to implementing an investment program. Portfolio Managers monitor account holdings daily for critical changes and to ensure accounts are in balance with their objectives and risk tolerance.

The NCA Investment Review Committee has been established by the firm to meet on a periodic basis, at least monthly. The Investment Review Committee shall consist of the President and Chief Investment Officer and other appropriate members as appointed by the President and approved on an annual basis by the Naples Capital Advisors Advisory Board of the Board of Directors of TIB Financial Corporation.

The Committee's primary responsibilities will consist of reviewing economic and financial market data, developing broad investment philosophies and strategies, establishing desired methods of asset allocation, as well as reviewing all investment accounts and proposing necessary changes.

The NCA Investment Review Committee's purpose is to establish investment policy for all investment management accounts. Working lists for individual investments will be constructed and actively managed to meet client investment objectives while staying in compliance with the applicable Prudent Investor Rule. Each portfolio collection of securities shall be formally reviewed upon opening and at least once per year to ensure the account is being invested in accordance with the law and the governing document and that the investments are consistent with the requirements and objectives of the client. Our initial overview includes focus on identifying concentrated positions, over-weighted sectors, and individual investments that fail to meet our basic retention criteria.

Clients receive monthly statements from their custodian and have on-line portfolio viewing capability. Generally, clients are invited to receive in person quarterly portfolio performance reports. We will conduct annual or more frequently as requested, in person portfolio reviews.

## **Item 11 - Client Referrals and Other Compensation**

Employees of the affiliated banks of Naples Capital Advisors are eligible to participate in a client referral program that compensates the bank employee for qualified referrals resulting in new business. Periodically, the banks may offer special promotions whereby bank employees may be paid a referral fee for qualified referrals made to NCA.

## **Item 12 - Custody**

NCA currently partners with long established and independent custodians to house client securities and transact investment trades. The external custodians send directly to clients monthly statements that show total holdings, total valuation, and transactional activity within each client's portfolio. Naples Capital Advisors provides quarterly and annual performance reports for each portfolio or relationship. Account statements received directly from the custodian should be closely reviewed by clients. In addition, clients are urged to compare account statements received directly from the custodian with those provided by NCA to assess and determine the appropriateness of transactions, deductions and fees.



### **Item 13 - Investment Discretion**

NCA provides investment management services primarily on a full discretion basis. However, on occasion, because of tax, legal, and/or social considerations there may be investment restrictions or other limitations imposed on certain assets or portfolios. These restrictions will be disclosed and documented at the initial meetings, or added later, and documented in the client's investment file. The limitations may impact asset allocation, restrictions on buying or selling of a particular security (tobacco or a low cost holding, as examples), or related to other unique considerations.

### **Item 14 - Voting Client Securities**

Naples Capital Advisors is active in voting proxies on behalf of shareholders in belief that the proxy voting process is a means of addressing corporate governance issues and encouraging corporate actions which would enhance shareholder value. Proxy duties consist of analyzing proxy statements of issuers whose stock is owned by any client that has delegated proxy voting administrative responsibility or has asked for information or recommendations on the issues to be voted. We recognize that this duty requires us to vote client securities in a timely manner and make voting decisions that are in the best interests of our clients.

This statement is intended to comply with Rule 206(4)-6 of the Investment Advisers Act of 1940. It sets forth our policies and procedures for voting proxies for our discretionary investment advisory clients, including investment companies registered under the Investment Company Act of 1940.

In reviewing proxy issues, we will apply the following general policies:

**Corporate Governance:** With respect to a company's Board of Directors, we recognize the importance of good corporate governance in ensuring that management and the Board of Directors fulfill their obligations to shareholders. We vote in favor of proposals promoting transparency and accountability within a company. Also, we believe that good corporate governance requires shareholders to have a voice in the affairs of the company; therefore we support shareholder proposals that request companies amend their by-laws to provide that director nominees be elected by an affirmative vote of a majority of the votes cast.

**Mergers and Corporate Restructuring:** Mergers and acquisitions will be subject to careful review to determine whether they would be beneficial to shareholders. The firm will analyze various economic and strategic factors in making the final decision on a merger or acquisition.

**Social and Corporate Policy Issues:** The firm is primarily concerned about the financial interests of its clients. The firm will generally give management discretion with regard to social, environmental and ethical issues although we may vote in favor of those issues that are believed to have significant economic benefits or implications.

**Appointment of Auditors:** Naples Capital Advisors believes that the company remains in the best position to choose the auditors and will generally support management's recommendations. We recognize that there are may be inherent conflicts when a company's independent auditor

performs non-audit related services for the company. Nevertheless, in reviewing a proposed auditor, we will consider the fees paid for non-audit services relative to total fees as well as if there are other reasons to question the independence of the auditors.

**Changes in Legal and Capital Structure:** Changes in a company's charter, articles of incorporation or by laws are often technical and administrative in nature. Absent from a compelling reason to the contrary, Naples Capital Advisors will cast its votes in accordance with the company's management on such proposals. However, we will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and the operation of the company or have a material economic effect on the company.

**Proposals Affecting Shareholder Rights:** Naples Capital Advisors believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

**Management Compensation Issues:** Investment management believes that executive compensation should be directly linked to the performance of the company. We will evaluate plans on a case by case basis. The firm will normally support proposals that a percentage of the director's compensation be in the form of common stock, as it aligns their interests with those of the shareholders.

**Proxy Voting Records:**

Naples Capital Advisors is responsible for maintaining the following records: proxy voting policies and procedures, proxy statements, records of votes cast and abstentions as well as any records prepared that were material to a proxy voting decision. Records are kept for five years. All records will be readily available at the request of a client.



**SEC Form ADV Part 2B  
Brochure Supplement**

**Supervised Persons:**

**Paul J. Marinelli, CFA**

**Address:**

599 9th Street North, Suite 101  
Naples, Florida 34102

**Contact Information:**

Toll free: (877) 842-6221  
Office: (239) 963-1636  
Fax: (239) 430-0900

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Naplescapitaladvisors.com

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Disclaimer: This brochure supplement provides information about supervised persons of Naples Capital Advisors and it supplements the Naples Capital Advisors' SEC Form ADV Part 2. You should have received a copy of the SEC Form ADV Part 2 narrative brochure. Please contact Paul J. Marinelli if you did not receive the Naples Capital Advisors' brochure or if you have any questions about the contents of this supplement.

**Paul J. Marinelli, CFA – YOB 1980**

Paul graduated with a degree in Economics from Duke University in 2003. He joined Naples Capital Advisors in 2007, having worked for Morgan Stanley, Citigroup Asset Management, and most recently Legg Mason Private Portfolio Group. In his previous role as an Associate Portfolio Manager, working closely with senior managers, Paul was responsible for the oversight and trading of over \$1 Billion in assets under management. He served as a member of the firm's investment committee and participated in the coverage of various sectors. In addition, Paul was responsible for the design and implementation of the firm's proprietary research database. He is a Chartered Financial Analyst (CFA) since 2007 as well as a member of the CFA Institute and the New York Society of Security Analysts. The Chartered Financial Analyst certification is designed to recognize in-depth knowledge of security types and investment vehicles as well as expertise in quantitative methodologies for analyzing securities. To become a CFA Charterholder, candidates must have 4 years of qualified, professional work experience, pass three six-hour exams and adhere to a strict Code of Ethics and Standards governing their professional conduct. Paul joined Naples Capital Advisors in 2007 as an Investment Analyst and now serves as Chief Investment Officer and Chief Compliance Officer for the firm.

**Disciplinary Information:**

No disciplinary actions

**Other Business Activities:**

No other business activities or conflicts of interest

**Additional Compensation:**

No additional outside compensation received

**Supervision:**

The firm monitors the advice of the advisor on a monthly basis through the Naples Capital Advisors Advisory Board of Directors. Directors and advisory board members specifically monitor the safety and soundness of the firm. The person responsible for supervising Mr. Marinelli's activities on behalf of the firm is:

R. Eugene Taylor

President and CEO of TIB Financial Corp., the parent company of Naples Capital Advisors, Inc.  
(704) 554-5901