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Cape Investment Advisory Wrap Program Schedule H Wrap Fee Disclosure Brochure

Cape Investment Advisory, Inc.

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This brochure provides clients with information about Cape Investment Advisory, Inc., and Cape Investment Advisory Wrap Program that should be considered before becoming a client of any of these programs. This information has not been approved or verified by any governmental authority.

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I. CAPE INVESTMENT ADVISORY, INC.

Cape Investment Advisory, Inc., (“CIA” or “Advisor”) provides asset management services to individuals, trusts, estates, charitable organizations, pension plans and corporations. Such services are offered through investment advisory representatives doing business under the following names: Heritage Planning Group, Paradigm Financial Group and Financial Insights Inc. CIA gives continuous advice and makes investments for its clients based on the client’s individual needs. The process begins through personal discussions between the investment advisory representative and the client to establish investment goals and objectives (i.e., maximum capital appreciation, growth, income, or growth and income) based on a client’s particular circumstances. Then CIA develops a personal investment policy for the client and creates a portfolio based on that policy. Finally, CIA will continuously manage that portfolio according to the client’s goals, objectives, and investment policy.

CIA is affiliated with Cape Securities, Inc. (“CSI”), a registered broker/dealer. Therefore, it may be common for the CIA investment advisory representative to also serve as the CSI brokerage registered representative for client accounts. Advisory client assets are held and processed at SAL Financial Services, Inc. (“Trade PMR”), National Financial (MAS), Charles Schwab or TD Ameritrade. Clients have ready access to their respective portfolio manager/adviser representative. Portfolio managers are not required to be available for unscheduled or unannounced visits by clients. However, portfolio managers are expected to periodically meet with clients and should generally be available to take client telephone calls on advisory-related matters.

II. CAPE INVESTMENT ADVISORY WRAP PROGRAM

CIA Investment Advisory Representatives act as portfolio managers for the Cape Investment Advisory Wrap Program. CIA portfolio managers work with clients to identify their investment goals and objectives as well as risk tolerance in order to create an initial portfolio allocation designed to complement the client’s financial situation and personal circumstances. Accounts will be managed based on the individual needs of the client.

Product recommendations under this platform may include but are not limited to, equities, corporate debt securities, municipals bonds, mutual funds, government securities, and options. CIA directly manages and diversifies clients’ portfolios based upon the client’s individual investment needs and objectives. Restrictions and guidelines imposed by clients effect the composition and performance of portfolios. For this reason, performance of portfolios within the same investment objective may differ.

Clients involved in the Cape Investment Advisory Wrap Program will have their transactions costs bundled with the advisory fee. Securities and funds are selected with the aid of fundamental analysis and the review of independent research, news sources, corporate documents such as annual and quarterly reports and press releases and rating services. The portfolio manager will gather background information for each client and, through discussions with the client, will develop a risk profile, which will allow us to recommend investments, which are aligned with each client’s specific risk tolerances. CIA

will periodically review and update a client's financial circumstances and investment objectives; however, it is client's responsibility to notify CIA of any material changes to their financial situation.

CIA requires a minimum account of \$25,000 for clients seeking investment management services; however, at the sole discretion of management, the minimum account value requirement may be waived.

Below is the schedule of fees charged by CIA in connection with the Cape Investment Advisory Wrap Program. The fee charged is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client. All fees are negotiable at the discretion of CIA management.

The annual fees are negotiable and based on assets under management as follows:

<u>Assets</u>	<u>Max. Annual Fee</u>
0-\$250,000	2.50%
\$250,000 - \$499,000	2.25%
\$500,000 - \$999,000	2.00%
\$1,000,000 - \$2,999,000	1.75%
\$3,000,000 - \$4,999,000	1.50%
\$5,000,000 and above	1.25%

The asset-based fee is calculated at the beginning of the calendar quarter. The fee is based upon the value of the account as calculated by the custodian. Fees for the initial quarter will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the adviser agreement goes into effect. Any deposits or withdrawal of funds or securities within a billing period exceeding \$25,000 are subject to the same billing process.

As authorized in the Advisory Agreement, the account custodian withdraws advisory fees directly from the client's account according to the custodian's policies, practices and procedures. The custodian sends the client a statement, at least quarterly, indicating all the amounts disbursed from the account, including the amount of advisory fees. It is the client's responsibility, not the custodian's, to verify the accuracy of the billing amount. Advisor does not hold customer funds or securities. CIA will not have the authority to withdraw funds or take custody of client funds or securities other than where the client has authorized the deduction of investment advisory fees via a qualified custodian.

A client agreement may be canceled by either party for any reason upon receipt of written notice. Upon termination of an account, any prepaid, unearned fees will be refunded. The client has the right to terminate an agreement within five business days after entering into it without owing CIA any fees if the Form ADV is not received within 48 hours prior to signing the Advisory Agreement.

III. GENERAL FEE INFORMATION AND OTHER CLIENT CHARGES

CIA Wrap Program is offered as a “wrap account” which bundles advisory, administrative, and transaction charges into one asset-based fee. A portion of the wrap fee is allocated to the administrative fee, which covers administrative and supervisory services provided by CIA as well as transaction, execution, clearing and custodial services as provided by the custodian. CIA also receives a portion of the fee for advisory services. Clients should consider that depending upon the level of the wrap fee charges, the amount of portfolio activity in their accounts, the value of services that are provided under this program, and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. In addition, comparable services for lower fees may be available from other sources.

All fees paid to CIA for investment advisory services are separate and distinct from fees and expenses that may be charged by the mutual fund companies. The mutual fund fees and expenses are described in the fund’s prospectus. In some instances mutual funds may also impose an initial or a deferred sales charge. Accordingly, the client should review both the fees charged by the funds, as described in the prospectus, and the fees charged by CIA to fully understand the total amount of fees to be paid.

Clients may purchase shares of mutual funds directly from the mutual fund issuer, its principal underwriter or a distributor without purchasing the services of CIA or paying the advisory fee on such shares. Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge (as described in the mutual fund prospectus) may be more or less than the applicable advisory fee. However, clients would not receive the advisory representative’s assistance in developing an investment strategy, selecting securities, monitoring performance of the account, and making changes as necessary.

IV. CLIENT SECURITIES TRANSACTIONS

Advisor may recommend a broker/dealer and/or custodian. Advisor considers the full range and quality of services in placing accounts, including promptness and accuracy of execution, commission rate, operational capabilities, and the firm’s financial condition to ensure compliance with Advisor’s best execution policy. Generally, Advisor will recommend that client assets be held in custody at SAL Financial Services, Inc. (“SAL Financial”) or Charles Schwab. For client assets held at SAL Financial, the trades will be executed through Trade-PMR, a registered broker/dealer. Neither Sterne Agee & Leach, Trade-PMR or Charles Schwab are affiliated with CIA.

Pursuant to written agreement, CIA may/will maintain limited discretionary authority whereby the client has authorized Advisor in writing to effect trades to achieve desired account performance. CIA will not have the authority to withdraw funds or take custody of client funds or securities other than where the client has authorized the deduction of investment advisory fees via a qualified custodian.

CIA may aggregate orders in a bunched trade or trades when securities are purchased or sold through the same broker-dealer for multiple discretionary accounts. Non-

discretionary accounts may not be included in blocked trades for discretionary accounts. Trades for persons associated with CIA may be included in the bunched transaction.

The portfolio manager for each account must reasonably believe that the bunched order is consistent with CIA's duty to seek best execution and may benefit each client participating in the aggregated order. The average price per share of each bunched trade will be allocated to each account that participates in the bunched trade. Upon request, Client may request average price trade details. Accounts that participate in the same bunched trade will be charged commissions, if applicable, in accordance with their advisory contracts. Different accounts participating in a bunched transaction may not be charged the same commission rates.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that does not consistently advantage or disadvantage particular client accounts. Prior to entry of a bunched trade, a written pre-allocation will be generated which identifies the group of client accounts participating in the order. If the amount to be allocated for each account is not indicated prior to placement of the trade, the Chief Compliance Officer must review and approve no later than the morning following allocation of the trade.

Changes in allocation prior to final allocation may be made for good cause provided that all client accounts receive fair and equitable treatment. Any changes to the allocation will be documented on the allocation worksheet.

CIA and its representatives may engage in personal securities transactions. The personal securities transactions of CIA and its representatives may raise potential conflicts of interest when such persons trade in a security that is 1) owned by a client or 2) considered for purchase or sale for a client. CIA has adopted policies and procedures that are intended to ensure that transactions are effected for clients in a manner that is consistent with the fiduciary duty and in accordance with applicable law. Persons who wish to purchase or sell securities of the types purchased or sold for clients may do so only in a manner consistent with CIA policies and procedures.

V. REPORTS AND REVIEW OF ACCOUNTS

The advisory representative assigned to the account reviews all accounts. There is no restriction to the number of accounts. CIA provides both comprehensive financial services and specific investment management programs. It is recommended to clients that consistent periodic reviews be made to continually update client information and investment strategies as conditions warrant. Client meetings occur at least annually or more often if requested by the client. The reviews focus on consistency of portfolio investments with investment objectives and risk tolerances. Other factors that may trigger a review include, but are not limited to, changes in market and economic conditions, known changes in the client's financial situation and large deposits and/or withdrawals from the account.

Clients receive confirmations on all transactions, as well as monthly (or quarterly if there is no account activity) statements from the custodian, which outline the clients' current positions and current market value.

VI. BUSINESS AFFILIATIONS AND CONFLICTS OF INTEREST

James Webb is the direct owner of CIA and Cape Securities, Inc. (CSI). CSI is a general securities broker/dealer registered with the SEC, FINRA, and various state regulatory agencies. In this capacity, CSI executes trades (as agent) for a commission in mutual funds, equities, bonds, options, variable annuities and other investment products on behalf of clients, who may or may not have an advisory fee agreement with CIA. Persons associated with CIA also function as registered representatives of CSI. This relationship may create a conflict of interest, as Advisory Representatives of CIA may also be receiving a commission as a registered representative of CSI for effecting securities transactions, which they recommend to clients. Advisory clients are under no obligation to effect securities transactions through CSI.

Cape Insurance Solutions is a state licensed insurance agency which is under common ownership with CIA. Cape Insurance Solutions sells life and fixed annuity products and such products may be offered to clients of CIA. This relationship may create a conflict of interest, as IARs of CIA may also be receiving a commission as an agent of Cape Insurance Solutions for the sale of insurance products, which they recommend to clients. Advisory clients are under no obligation to purchase insurance products through Cape Insurance Solutions.

Clients are under no obligation to purchase or sell securities or purchase insurance products through the Advisory Representatives. However, if they choose to conduct any investing outside of the wrap program, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at CSI than at other broker/dealers. Advisory Representatives may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through CSI.

The executive officers of CIA spend approximately 85% of their time on insurance and brokerage related activities.

CIA and its investment personnel may give advice and take action in the performance of their duties to the wrap program clients, which differ from advice given, or the timing and nature of action taken, with respect to other clients' accounts. In addition, CIA Representatives have an interest in minimizing transactions in Cape Investment Advisory Wrap Program as the advisory representative pays the transaction costs paid to the custodian.

Advice offered by related persons of CIA may involve investments in mutual funds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. These fees come from fund assets, and thus, indirectly from the client's assets. These 12b-1 fees may be initially paid to CSI and a portion allocated to related persons who

are also registered affiliates of CSI. The receipt of these funds could represent an incentive for Advisory Representatives to recommend funds with 12b-1 fees or higher fees over funds with no fees or lower fees, therefore creating a potential conflict of interest.

Advisor may recommend a broker/dealer and/or custodian. Advisor considers the full range and quality of services in placing accounts, including promptness and accuracy of execution, commission rate, operational capabilities, and the firm's financial condition to ensure compliance with Advisor's best execution policy. Generally, Advisor will recommend that client assets be held in custody at Sterne Agee & Leach or Charles Schwab. For client assets held at Sterne Agee & Leach a registered broker/dealer, the trades will be executed through Sterne Agee & Leach (Trade PMR). For clients assets held at National Financial Services (MAS) a registered broker/dealer, the trades will be executed through National Financial Service. For assets held at Charles Schwab a registered broker/dealer the trades will be executed through Charles Schwab. For assets held at TDAmeritrade a registered broker/dealer trades will be executed through TDAmeritrade. Neither Sterne Agee & Leach, National Financial Services, Charles Schwab nor TDAmeritrade are affiliated with CIA.

Because costs associated with trades executed through broker-dealers other than those recommended by CIA would be passed on to the client in addition to the management fee, best execution will most likely be obtained through the recommended broker/dealer. For this reason, all transactions will generally be executed through the recommended broker/dealer, subject to CIA's duty to obtain "best execution", i.e., a price that is as favorable to clients as possible under the prevailing market conditions. CIA does not warrant or represent that commissions for transactions implemented through the recommended broker/dealer will be lower than commissions available if clients use another brokerage firm. CIA believes, however, that the overall level of services and support provided to clients by Advisor outweighs the potentially lower transactions cost available under other brokerage arrangements.

Notwithstanding such arrangements, CIA strives to serve the best interest of our clients. As such, investments for clients are based on investment suitability for the client and whether it meets the client's investment objectives and guidelines. Furthermore, CIA uses its best efforts to obtain the most favorable net results with regard to share price, size of order, difficulty of execution, confidentiality and skill required of the broker. Clients should be aware that best execution may not necessarily be achieved if recommended transactions are placed through these individuals, in their separate capacities as registered affiliates or insurance agents/brokers. In addition, CIA does not warrant or represent that commissions for transactions implemented through the recommended broker/dealer will be lower than commissions available if clients use another brokerage firm. CIA believes, however, that the overall level of services and support provided to clients outweighs the potentially lower transactions cost that may be available under other brokerage arrangements. Commission rates may be found at other broker/dealers which may be lower.

Proxy Voting and Class Action Lawsuits

CIA does not vote, nor advise clients how to vote, proxies for securities held in client accounts. CIA's clients retain the right to vote the proxies of shares held in their accounts.

In addition, CIA will not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. CIA will, however, forward to Client any information received by CIA regarding class action legal matters involving any security held in the account.

VII. EDUCATION AND BUSINESS STANDARDS AND BACKGROUND

CIA requires IARs to have a college degree or relevant experience in a business similar or related to investment management and planning. In addition, IARs will be registered as required by applicable state law or statute. The IARs may also be required to obtain appropriate insurance education and licensing. Weight will be given to those candidates with advance industry designations (*e.g.*, CFP™, ChFC, PFS, etc.)

James R. Webb, President
Year of Birth 10/28/1967

Education:
Kenyon College, 1990 B.A.; History

Employment History (past five years)

Cape Investment Advisory, Inc.; President	01/2008 – Present
Cape Securities, Inc.; President	09/2007 – Present
Aura Financial Services, Inc.; OSJ Branch Manager	06/2007 – 12/2007
Cornerstone; Vice President	05/2006 – 05/2007
Nationwide Investment Services Corp.; Advisory Services	02-2005 – 05/2006

Kathi Mansfield, Chief Compliance Officer

Year of Birth: 1960

Education:
St. Petersburg JR College; Clearwater, FL (1983 – 1986)

Employment History (past five years):

Cape Investment Advisory, Inc.; Chief Compliance Officer	01/2008 – Present
Cape Securities, Inc.; Chief Compliance Officer	01/2008 – Present

Resource Horizons Group, LLC; Chief Compliance Officer	2005 – 2008
Value Bond; Chief Compliance Officer	2004 - 2005