

## CAPTRUST Financial Advisors

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This Form ADV Part 2 is CAPTRUST’s disclosure brochure (“Brochure”) for clients utilizing non-wrap fee advisory services. The Brochure provides information about the qualifications and business practices of CAPTRUST Financial Advisors. In compliance with recent regulatory requirements, we are obligated to provide clearly written, meaningful, current disclosure of our business practices, conflicts of interest and the background of our Financial Advisors.

If you have any questions about the contents of this Brochure, please contact us at (919) 870-6822 or toll-free at (800)216-0645, or you may reach the Compliance Department by email at [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

The information in this Brochure *has not* been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CAPTRUST Financial Advisors is an investment adviser registered under the Investment Advisers Act of 1940. Registration of an investment adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an adviser.

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

(Please see page 19 for our Privacy Policy)

## Item 2 – Summary of Material Changes

Under Item 4, “Advisory Business” we added the following discussion: **“Separately Managed Accounts.** (“SMA”) CAPTRUST sponsors an SMA “Wrap-Fee” Program which is separately disclosed in the CAPTRUST SMA Wrap Program Brochure and is available only to CAPTRUST Clients who have their brokerage at Pershing, LLC. We also participate in Schwab Managed Account Programs such as Schwab’s Managed Account Select and Managed Account Access (both Schwab sponsored “Wrap-Fee” programs), which are available to CAPTRUST Clients who have their accounts at Schwab. Some Clients with their accounts at Schwab have accessed SMA managers through Schwab’s Managed Account Marketplace (which is not a wrap-fee program). These Schwab programs allow access to independent money management firms offered by the Schwab Advisor Services division of Charles Schwab & Co. Inc. (“Schwab”). CAPTRUST performs management searches of various investment managers. Based on the client’s individual needs, goals and objectives, we determine which SMA manager’s portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the investment objectives of each client and the investment philosophy of the selected manager. Clients should refer to the SMA manager’s Disclosure Brochure or other disclosure documents for a full description of the services offered. We will furnish a copy of the disclosure brochures for each manager recommended (as well as the program brochure). We may recommend one or more managers to manage the client’s account on a discretionary basis. On an ongoing basis, we monitor the performance of the manager(s). Fees associated with SMA Program Managers vary and are separately disclosed in each manager’s disclosure brochure and depending on the SMA program chosen by the Client, may or may not include the cost of execution (depending on the program selected). CAPTRUST will make its recommendations in the best interest of the Client.

For Clients who have chosen one of Schwab’s Managed Account Services Wrap-Fee Program(s), CAPTRUST will deliver Schwab’s Brochure which explains how Schwab calculates their SMA program fees. Schwab multiplies the actual daily balance of your account by the daily pro rata portion of the annual rate and then adds together the fees for each day of the month. The program fee is billed to your account monthly, which may result in your paying a higher fee on an annual basis than the annual rate, due to the effects of compounding.

CAPTRUST advisory fees are typically charged quarterly, in advance, based on the value of your account on the last day of the previous quarter. However, Clients should refer to their CAPTRUST Investment Advisory Agreement to verify terms, fees, as well as the agreed upon schedule of services.

Schwab’s Managed Account Select and Managed Account Access provide access to money managers across various investment styles. Schwab’s fees for these programs are bundled as a single, all-inclusive fee, which is in addition to the fee charged by CAPTRUST. In general, access to managers in the Schwab programs is available at the following account levels: \$100,000 for Stock/Equity Managers and \$250,000 for Bond/Fixed Income Managers. Although some money managers may have higher account minimums. Schwab’s program fees include the institutional money manager fee, Schwab’s program fee and fees for brokerage/clearing/custodial services. Fees may include a minimum monthly fee, please see related program documents for a complete description of specific fees.

Some Clients choose Schwab’s Managed Account Marketplace which affords access to SMA managers. Clients can engage directly. Managed accounts established under the Schwab Marketplace are charged

separately by Schwab for brokerage and custody services and by the SMA manager under the SMA manager's advisory agreement. CAPTRUST will deliver the SMA Manager's brochure describing their fees and services when using Schwab's Managed Account Marketplace.

#### SUBADVISORY AGREEMENTS

Occasionally, CAPTRUST establishes a "subadvisory agreement" with an SMA manager who may or may not participate in one or more of the programs described in this section. Under this type of arrangement, CAPTRUST's fee can be quoted to include or exclude the subadvisor's fee. In this way, Clients can decide whether to permit the subadvisor to charge their fee directly to the Client's account or to have CAPTRUST combine their fee to include the subadvisor's fee. Either way, the advisory agreements governing the relationship should clearly describe the method by which advisory fees will be charged and paid and whether the quoted fee includes both CAPTRUST's fee and subadvisory fees.

Also, under Item 4, as of December 31, 2017, CAPTRUST's Form ADV discloses a total of \$273,979,441,749 in assets under advisement. This included \$5,867,861,098 in Wealth Client (discretionary) assets under management and \$11,232,929,738 in Institutional Client (discretionary) assets under management for a total of \$17,100,790,836 in discretionary assets under advisement. The balance of the assets under advisement included on the Form ADV, represent *nondiscretionary* institutional assets.

Currently, the total number of discretionary wealth assets managed on a *non-wrap* fee basis (where the cost of execution is born by the client) is \$2,788,06,854.

Under Item 5, Fees and Compensation, we have changed the disclosure surrounding Pershing's FundVest Program as follows: "For Clients whose brokerage accounts are custodied at Pershing, LLC, transactions are facilitated by Capfinancial Securities, LLC, in its capacity as a registered broker/dealer and/or insurance agency (business entity). CFS as an introducing broker/dealer participates in Pershing's FundVest® Program. Brokerage accounts opened through CFS are held at Pershing LLC, (Pershing) which is an unaffiliated company that acts as a clearing firm for CFS. Pershing receives FundVest Revenue (a combination of Service Fees and 12b1 fees) from certain mutual fund families to participate in Pershing's mutual fund no-transaction-fee program (called FundVest®). FundVest Revenue is based on total value of assets in particular mutual funds. Pershing retains all FundVest *Service Fees* and passes 100% of the 12b1 fee FundVest Revenue on to CFS. However, CAPTRUST has determined to act as a "Level Fee Fiduciary" in accordance with DOL's new "Fiduciary Rule". Therefore, CFS does not participate in 12b1 fee revenue associated with IRAs or ERISA qualified plan accounts ("ERISA accounts"), instead, Pershing credits each ERISA account with 12b1 revenue related to mutual funds held in the particular ERISA account rather than passing the 12b1s to CFS.

Also, under Item 5, we amended the disclosure regarding free credit balances and money market revenue sharing to read: "In May 2017, CFS amended its Clearing Agreement and its addendums eliminating compensation from the Clearing Firm based on the value of credit balances in any Pershing accounts, thus, eliminating any incentive to recommend one money market over another."

Under Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, we amended the description of the strategies as follows: "CAPTRUST utilizes both a risk-based and outcomes-based approach to asset allocation. The following asset classes: US Equities, International Equities, Fixed Income, Strategic Opportunities, Commodities and Real Estate are allocated amongst a series of models. Our outcomes-

based models consist of our Discretionary Consulting Portfolios (“DCP”): Capital Preservation (previously called 0% Directional and 20% Directional), Fixed Income, Income, Core Opportunities, Conservative Growth (previously called 40% Directional and 60% Directional), Moderate Growth (previously called 72% Directional and 85% Directional), Aggressive Growth (previously called 100% Directional) and All Equity. Our risk-based models consist of our Managed Account Portfolios (“MAP”) Income, Conservative, Moderate, Growth, and Aggressive. Within each model, CAPTRUST has several strategies including, Discretionary Consulting Portfolios (“DCP”) with and without munis, DCP Prime, DCP Flex, DCP Focused, Managed Account Portfolio (“MAP”) with and without munis and Dividend Equity. PMA Investment Portfolios where the CAPTRUST Investment Committee acts as Portfolio Manager may be allocated to one or more of these strategies using the asset allocated models described here.”

Under Item 10, we expanded the discussion of recent acquisitions of a number of investment advisory practices by The CapFinancial Group, LLC (“CFG”), CAPTRUST’s parent company, to include the following transactions: In the first quarter of 2017, The CapFinancial Group, Inc. (CAPTRUST’s parent company) acquired the substantial assets of The Johnston Group, Inc. (“TJG” CRD#122889) with an office in Lower Gwynned PA (Philadelphia area) and also Windsor Financial Group, LLC (“Windsor” CRD#107462) in downtown Minneapolis, both federally registered investment advisers, as well as certain assets of HBK Wealth Management, LLC (CRD#168419) in Cincinnati, OH. In the second quarter of 2017, the assets of CapTrust Advisors, LLC (CRD#142941) (referred to herein at “CapTrust Tampa”) with offices in Tampa, FL and Hollywood, FL were acquired; as well as the assets of My Group, LLC (doing business as “InTrust Fiduciary Group”) (CRD#154355) with an office in Austin, TX. In the third quarter of 2017, the assets of Davidson & Garrard, Inc. (CRD#105206), with offices in Lynchburg and Lexington Virginia were acquired. Lastly, in the fourth quarter of 2017, the assets of Knox Capital Advisors, LLC (“KCA”) (CRD#131000) in Draper Utah was acquired. Clients are being asked to assign their advisory agreements to CAPTRUST. KCA was the advisor to 2 private funds (Knox Opportunity & Knox Prime) both of which are closed to new investors. CAPTRUST does not act any proprietary funds, however some Knox Clients who may assign their advisory agreements to CAPTRUST may also be investors in one or both Knox Funds.

Under Item 12 “Brokerage Practices”, we added the following language: “CAPTRUST participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. CAPTRUST receives some benefits from TD Ameritrade through participation in the Program. (Please see the disclosure under Item 14. below.)

Under Item 13, “Review of Accounts”, we amended the discussion of quarterly performance reports prepared by CAPTRUST for Wealth Client accounts to explain how Clients may access their quarterly performance reports electronically via CAPTRUST’s state-of-the-art client portal developed by technology provider Black Diamond®.

Under Item 14, “Client Referrals and Other Compensation”, As disclosed under Item 12. above, CAPTRUST participates in TD Ameritrade’s institutional advisor program (the “Program”) and CAPTRUST may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between CAPTRUST’s participation in the Program and the investment advice it gives to its Clients, although CAPTRUST receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products

and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by CAPTRUST's related persons. These products or services may assist CAPTRUST in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CAPTRUST manage and further develop its business enterprise. The benefits received by CAPTRUST or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CAPTRUST endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CAPTRUST or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the CAPTRUST's choice of TD Ameritrade for custody and brokerage services.

We also added the following disclosure under Item 14: "CAPTRUST may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, CAPTRUST may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with CAPTRUST and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment CAPTRUSTs. TD Ameritrade does not supervise CAPTRUST and has no responsibility for CAPTRUST's management of client portfolios or CAPTRUST's other advice or services. CAPTRUST pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to CAPTRUST ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. CAPTRUST will also pay TD Ameritrade the Solicitation Fee on any assets received by CAPTRUST from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired CAPTRUST on the recommendation of such referred client. CAPTRUST will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

CAPTRUST's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently,

in order to obtain client referrals from TD Ameritrade, CAPTRUST may have an incentive to recommend to clients that the assets under management by CAPTRUST be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, CAPTRUST has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. CAPTRUST's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts."

Additionally, under Item 14, we added the following disclosure:

Schwab Advisor Network® CAPTRUST receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through CAPTRUST's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CAPTRUST. Schwab does not supervise CAPTRUST and has no responsibility for CAPTRUST's management of clients' portfolios or CAPTRUST's other advice or services. CAPTRUST pays Schwab fees to receive client referrals through the Service. CAPTRUST's participation in the Service may raise potential conflicts of interest described below. CAPTRUST pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by CAPTRUST is a percentage of the fees the client owes to CAPTRUST or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. CAPTRUST pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to CAPTRUST quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by CAPTRUST and not by the client. CAPTRUST has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs CAPTRUST charges clients with similar portfolios who were not referred through the Service. CAPTRUST generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The NonSchwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees CAPTRUST generally would pay in a single year. Thus, CAPTRUST will have an incentive to recommend that client accounts be held in custody at Schwab. The Participation and Non-Schwab Custody Fees will be based on assets in accounts of CAPTRUST's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CAPTRUST will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit CAPTRUST's fees directly from the accounts. For accounts of CAPTRUST's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from CAPTRUST's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, CAPTRUST may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. CAPTRUST nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for CAPTRUST's other clients. Thus, trades for accounts custodied at Schwab

may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

In addition, the recently amended Form ADV Part 2B for CAPTRUST Investment Committee members is included in this brochure. The amended Part 2B reflects the addition of Kevin Barry, in his role as Chief Investment Officer. Kevin earned his Bachelor of Science in finance from LaSalle University and a Master of Science in finance management from the University of London. Kevin leads the firm's Consulting Research Group, the team responsible for investment manager due diligence, asset allocation, and discretionary investment management for the firm's wealth management and institutional retirement plan advisory businesses. He also serves as a member of the Executive Committee. Most recently, Kevin served as chief investment officer and senior portfolio manager for Third Law Capital Management in New York. There, he developed macroeconomic investment themes, conducted fundamental security analysis, and implemented asset allocation, hedging, and risk management solutions for clients. Previously, he was a partner and portfolio manager at Caxton Associates, a global macro hedge fund. He has more than 20 years' experience in portfolio management, capital market strategy, and investment research.

Finally, syntax, formatting and typographical errors have been corrected throughout.

This Summary of Material Changes reflects only material changes to this Brochure since our last amendment dated October 6, 2017. A full copy of our Brochure may be requested by email at [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com) or by contacting us toll-free at (800)216-0645.

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

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#### **Item 4 – Advisory Business**

CAPTRUST Financial Advisors, also known as CapFinancial Partners, LLC, (“CAPTRUST” or “Adviser”) was established in April 2003 and approved as a Registered Investment Adviser in September 2003. . The CapFinancial Group, LLC (a North Carolina limited liability company) is a 100% owner of CAPTRUST. CapFinancial Holdings, Inc. (a North Carolina corporation) is the majority owner of The CapFinancial Group, LLC and Mr. James Fielding Miller, the CEO of CAPTRUST, owns slightly more than 40% of CapFinancial Holdings, Inc. The CapFinancial Group, LLC and CapFinancial Holdings, Inc. are owned and operated by CAPTRUST employees and based in Raleigh, North Carolina.

CAPTRUST is an investment adviser registered under the Investment Advisers Act of 1940. CAPTRUST provides investment advisory services to wealth management clients such as individuals, trusts, estates and charitable organizations, foundations, endowments, corporations or other businesses not listed above collectively referred to herein as “Client” or “Wealth Client.” Approximately 25% of CAPTRUST advisory fee revenue is derived from the continuous and regular investment supervisory services rendered to Wealth Clients.

CAPTRUST also provides retirement plan advisory services to pension, profit sharing plans and other qualified Plans (“Plan Clients”) which are disclosed in a separate Brochure (Form ADV Part 2) which represents approximately 75% of advisory fee revenue.

Also, under Item 4, as of December 31, 2017, CAPTRUST’s Form ADV discloses a total of \$273,979,441,749 in assets under advisement. This included \$5,867,861,098 in Wealth Client (discretionary) assets under management and \$11,232,929,738 in Institutional Client (discretionary) assets under management for a total of \$17,100,790,836 in discretionary assets under advisement. The balance of the assets under advisement included on the Form ADV, represent *nondiscretionary* institutional assets.

Currently, the total number of discretionary wealth assets managed on a *non-wrap* fee basis (where the cost of execution is born by the client) is \$2,788,06,854.

CAPTRUST is affiliated by common ownership with CapFinancial Securities, LLC (CFS), which is registered under the Securities Exchange of 1934, and a member of FINRA/SIPC. Most Investment Advisory Representatives (IARs) of CAPTRUST are also registered representatives of CFS which poses conflicts of interest that are detailed in this brochure.

CAPTRUST will require each Client to make a selection of services in writing as part of the Investment Advisory Agreement (**referred to as “Agreement” or “Agreements”**), which sets forth the rights and obligations of CAPTRUST and the Client. The Agreements are customized to state the quoted or negotiated fee.

CAPTRUST offers the following service(s) to the Client:

#### **Investment Advisory Services**

- Establishment of Investment Objectives and Guidelines
- Asset Allocation Analysis
- Investment Manager Selection /Mutual Fund Evaluation
- Ongoing Investment Manager/Mutual Fund Due Diligence

- Ongoing Quarterly Performance Measurement

#### **Financial and Estate Planning Services**

- Financial Plan and Analysis
- Estate Planning Review with Legal and/or Tax Advisor
- Tax Review with Legal and/or Tax Advisor
- Insurance Review
- Charitable Gifting Strategies with Legal and/or Tax Advisor

Adviser may provide **investment supervisory services** on a discretionary or non-discretionary basis and may include the following:

- Adviser may design, revise, and reallocate a Client's custom portfolio. Investments are determined based upon the Client's investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors.
- Adviser may manage the Client's custom accounts on an individualized basis. Restrictions and guidelines imposed by Clients may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and Clients should not expect that the performance of their custom portfolios will be identical to any other individual's portfolio performance).
- Adviser may utilize services of sub-advisers and established third party research services to assist Adviser with formulating asset allocation, industry and sector selection, and individual security investment recommendations in constructing and maintaining custom portfolios.
- In general, Adviser's Clients enter into a fee-based Agreement but, occasionally Clients may choose a commission-based brokerage account instead. This is permissible since the Adviser is affiliated with a registered broker/dealer (CFS) described above.
- Advisory fees stated in CAPTRUST's fee-based Agreements do not include the cost of trade executions which are born by the Client. Should a transaction be a block trade for securities to be apportioned over various suitable accounts, the commission will be billed pro rata according to the portion of the trade placed in the Client's account. Commissions charged may be higher or lower than obtainable elsewhere.
- Additionally, CAPTRUST's offers "wrap-fee" advisory services which are disclosed separately in ADV Part 2A Appendices ("Wrap Brochures"). Wrap-fee accounts are covered by separate (wrap fee) advisory agreements in which advisory fees include the cost of execution.

**Other Investment Advisory Services.** Adviser may provide investment advisory services that do not involve investment supervisory services on a discretionary or non-discretionary basis. In order to determine a suitable course of action for an individual Client, Adviser shall perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the Client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the Client's particular circumstances. Adviser may provide asset management services to Clients on a non-discretionary basis. In connection therewith, Adviser may provide investment supervisory or management services or may recommend products or services by other investment advisers.

**Separately Managed Accounts.** (“SMA”) CAPTRUST sponsors an SMA “Wrap-Fee” Program which is separately disclosed in the CAPTRUST SMA Wrap Program Brochure and is available only to CAPTRUST Clients who have their brokerage at Pershing, LLC. We also participate in Schwab Managed Account Programs such as Schwab’s Managed Account Select and Managed Account Access (both Schwab sponsored “Wrap-Fee” programs), which are available to CAPTRUST Clients who have their accounts at Schwab. Some Clients with their accounts at Schwab have accessed SMA managers through Schwab’s Managed Account Marketplace (which is not a wrap-fee program). These Schwab programs allow access to independent money management firms offered by the Schwab Advisor Services division of Charles Schwab & Co. Inc. (“Schwab”). CAPTRUST performs management searches of various investment managers. Based on the client's individual circumstances and we determine which SMA manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the objectives of each client and the investment philosophy of the selected manager. Clients should refer to the SMA manager's Disclosure Brochure or other disclosure documents for a full description of the services offered. We will furnish a copy of the disclosure brochures for each manager recommended. We may recommend one or more managers to manage the client's account on a discretionary basis. On an ongoing basis, we monitor the performance of the manager(s).

With the exception of CAPTRUST’s SMA Wrap Program, CAPTRUST’s fee is independent of the fee charged by managers for the management of separate accounts. Fees associated with SMA Program Managers vary and are separately disclosed in each manager’s disclosure brochure and depending on the SMA program chosen by the client, may or may not include the cost of execution. CAPTRUST will make its recommendations in the best interest of the Client, taking into account the Client’s preferences. Depending on the service utilized, program fees for the SMA services may be up to 3.00%.

For Clients who have chosen one of Schwab’s Managed Account Services Wrap-Fee Program(s), CAPTRUST will deliver Schwab’s Brochure which explains how Schwab calculates their SMA program fees. Schwab multiplies the actual daily balance of your account by the daily pro rata portion of the annual rate and then adds together the fees for each day of the month. The program fee is billed to the Client’s account monthly, which may result in Clients paying a higher fee on an annual basis than the annual rate due to the effects of compounding.

CAPTRUST advisory fees are typically charged quarterly in advance based on the value of your account on the last day of the previous quarter.

Schwab’s Managed Account Select and Managed Account Access provide access to money managers across various investment styles. Schwab’s fees for these programs are bundled as a single, all-inclusive fee, which is in addition to the fee charged by CAPTRUST.

In general, access to managers in these programs is available at the following account levels: \$100,000 for Stock/Equity Managers and \$250,000 for Bond/Fixed Income Managers. Although some money managers may have higher account minimums. Schwab’s program fees include the institutional money manager fee, Schwab’s program fee and fees for brokerage/clearing/custodial services. Fees may include a minimum monthly fee, please see related program documents for a complete description of specific fees.

Some Clients choose Schwab’s Managed Account Marketplace which affords access to SMA managers. Clients can engage directly. Managed accounts established under the Schwab Marketplace are charged

separately by Schwab for brokerage and custody services and by the SMA manager under the SMA manager's advisory agreement.

#### SUBADVISORY AGREEMENTS

Occasionally, CAPTRUST establishes a "subadvisory agreement" with an SMA manager who may or may not participate in one or more of the programs described in this section. Under this type of arrangement, CAPTRUST's fee can be quoted to include or exclude the subadvisor's fee. In this way, Clients can decide whether to permit the subadvisor to charge their fee directly to the Client's account or to have CAPTRUST combine their fee to include the subadvisor's fee. Either way, the advisory agreement governing the relationship should clearly describe the method by which advisory fees will be charged and paid and whether the quoted fee includes both CAPTRUST's fee and subadvisory fees.

**Wrap Fee Accounts.** CAPTRUST also sponsors Wrap Fee Program Services, which are administered through Pershing, LLC ("Pershing" or "Clearing Firm") so in order to participate in CAPTRUST Wrap Fee Programs Clients must utilize CapFinancial Securities, LLC (CFS) and establish an account at Pershing, LLC. The Wrap Fee Programs are designed to assist clients, both individuals and institutions (such as corporations and other business entities, trusts, estates, and charitable organizations), to identify their investment needs and to obtain professional asset management for a convenient single "wrap" fee. CAPTRUST's Wrap Fee Brochures (ADV Part 2A Appendices 1) provide clients with disclosure information about the PMA and SMA Wrap Fee Programs offered through CAPTRUST. An investor should consider all of the information within the Wrap Fee brochures before participating in a Wrap Fee Program. The information in CAPTRUST's PMA and SMA Wrap Fee brochures have not been approved or verified by any governmental authority.

**Consultations.** Adviser may furnish investment advice through individual consultations. To the extent it is requested to do so, Adviser may provide its Clients with investment advisory and consultation services on a "fee for service" basis. In order to determine a suitable course of action for an individual Client, Adviser shall perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the Client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the Client's particular circumstances.

Adviser will obtain pertinent information from the Client verbally or by way of any current information gathering documents approved for use by Adviser or other documents and data provided by Client. This information gathered will assist Adviser in determining the most appropriate course of action for its Client's financial and investment activity.

Adviser may offer advice on private placements and/or limited partnerships that may be considered "alternative investments," for example limited partnerships that are known as a "fund of funds" (typically a fund of "hedge" funds). Adviser may also offer advice on private equity funds that contain investments in equities, futures, options, and other securities. Any such recommendation will be made only when determined to be suitable and must be accompanied by or preceded by prospectus or offering memorandum.

## Item 5 – Fees and Compensation

In General, fees charged for investment advisory services are payable quarterly, in advance, and are based upon the market value of the Client's assets on the last business day of the calendar quarter. Fees are generally deducted from the Client's account(s) or may be direct billed to the Client or to a third- party custodian at the Client's instruction.

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

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

Fees, minimum accounts sizes and services are negotiable and may be waived under certain circumstances. For example, Adviser, in its sole discretion, may charge a lesser (or no) advisory fee based upon certain criteria (e.g. existing financial planning client relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, etc.). Adviser and investment adviser representatives may also be compensated through commissions for transactions conducted on behalf of investment adviser Client accounts. CFS (the affiliated broker/dealer) may be compensated by general promotion, advertising, and distribution fees (such as 12b-1 fees) in relation to Client purchases and sales of mutual fund shares.

Adviser may provide *investment supervisory services* on a discretionary or non-discretionary basis. Adviser's fees for these services are negotiable depending on the specific type of investment management services to be rendered (as detailed in the *Agreement*), but generally will be calculated as a percentage of total assets under management according to the following schedule:

Gross Market Value	Maximum Annual Fee
0-\$500,000	2.25%
\$500,001 – \$1,000,000	2.00%
\$1,000,001 – \$2,000,000	1.75%
\$2,000,001 - \$5,000,000	1.25%
Over \$5,000,001	1.00%

This Brochure is intended for Clients that *do not* elect a wrap-fee account. For those Clients, CAPTRUST's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus these charges and fees are exclusive of and in addition to CAPTRUST's fee.

CAPTRUST recommends that Wealth Clients establish brokerage accounts with affiliated broker/dealer,

CapFinancial Securities, LLC. CapFinancial Securities, LLC is a fully disclosed introducing broker/dealer utilizing the custody, clearing and execution services of Pershing, LLC (“Custodian”). CAPTRUST is independently owned and operated and not affiliated with Pershing and other custodians. However, some CAPTRUST Clients utilize Fidelity, Schwab or TD Ameritrade for custodial and execution services (“other custodians”).

For Clients whose brokerage accounts are custodied at Pershing, LLC, transactions are facilitated by Capfinancial Securities, LLC, in its capacity as a registered broker/dealer and/or insurance agency (business entity). CFS as an introducing broker/dealer participates in Pershing’s FundVest® Program. Brokerage accounts opened through CFS are held at Pershing LLC, (Pershing) which is an unaffiliated company that acts as a clearing firm for CFS. Pershing receives FundVest Revenue (a combination of Service Fees and 12b1 fees) from certain mutual fund families to participate in Pershing’s mutual fund no-transaction-fee program (called FundVest®). FundVest Revenue is based on total value of assets in particular mutual funds. Pershing retains all FundVest *Service Fees* and passes a 100% of the 12b1 fees FundVest Revenue on to CFS. However, CAPTRUST has determined to act as a “Level Fee Fiduciary” in accordance with DOL’s new “Fiduciary Rule”. Therefore, CFS does not participate in 12b1 fee revenue associated with IRAs or ERISA qualified plan accounts (“ERISA accounts”), instead, Pershing credits each ERISA account with 12b1 revenue related to mutual funds held in the particular ERISA account rather than passing the 12b1s to CFS.

CFS receives this additional compensation for providing shareholder services and other administrative services to CAPTRUST clients. In addition, Pershing does not charge CFS transaction charges for transactions in funds that participate in the FundVest® program. Under the FundVest Program, Pershing pays CFS a fee based on the total value of client assets invested in the Pershing FundVest funds. The list of funds and families is accessible to CFS through Pershing’s proprietary system (Netx360). Investments can be made in the Fundvest funds without paying a load or a trading commission. These funds are called “no transaction fee” funds. This approach is possible because the funds participating in FundVest pay Pershing fees to be on the FundVest list. The payment of this compensation to CFS constitutes a conflict of interest since CAPTRUST indirectly benefits by Pershing’s revenue sharing arrangement because of its affiliation to CFS. However, FundVest revenue is *not shared* with individual Financial Advisors, so your Financial Advisor does not have an incentive to recommend FundVest funds over others. Other brokerage firms/custodians (Fidelity or Schwab) also offer “no transaction fee” fund programs but do not pay CFS or CAPTRUST any fee for client participation in such programs.

In general, the FundVest arrangement may incentivize CAPTRUST to recommend or utilize funds on Pershing’s FundVest list (for which CFS receives compensation) over other funds that do not offer such compensation. However, we mitigate this conflict by preventing individuals on CAPTRUST’s Investment Committee who are involved in investment and manager due diligence from having access to information about the compensation paid to CFS in connection with Pershing’s FundVest platform. CAPTRUST’s investment committee does not consider FundVest funds when determining which funds to recommend to clients or which funds to place in managed accounts (wrap or non-wrap).

In May 2017, CFS amended its Clearing Agreement and its addendums eliminating compensation from the Clearing Firm based on the value of credit balances in any Pershing accounts, thus, eliminating any incentive to recommend one money market over another.

The payment of compensation by Pershing to CFS does not diminish CAPTRUST's duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

Clients should also be aware that mutual funds have expenses that are separate and apart from any fees charged by CAPTRUST. These expenses are disclosed in the prospectus for each mutual fund and usually expressed as an "expense ratio." Also, mutual funds may charge early redemption fees should Fund holdings in the account be liquidated within a certain period of time, typically within 30 to 180 days dependent upon each mutual fund company's policy. CAPTRUST advises Clients to buy and hold recommended securities unless an event triggers a change to CAPTRUST's opinion on a particular mutual fund or fund management. CAPTRUST monitors Client accounts closely for any activity that may cause such a penalty. But, Clients should refer to the respective mutual fund's prospectus and statement of additional information for information regarding these fees and expenses.

As part of Adviser's risk-based approach to asset allocation, Adviser recommends Wealth Clients invest in [hedge] fund(s)-of-funds. Fund(s)-of-funds typically carry additional fees over and above the fees discussed in this section. Since hedge fund managers typically charge performance fees (over and above their management fee) and because hedge fund(s)-of-funds are comprised of allocations to many hedge fund managers, each manager charges its own management fee and many also charge performance fees which creates a layering effect. Consequently, CAPTRUST Wealth Clients should be aware of these unusual (additional) costs associated with investing in fund(s)-of-funds. Each fund-of-fund discloses its own fee structure in the prospectus for that fund. CAPTRUST shall not receive any portion of these charges, fees and costs.

Generally, CAPTRUST purchases institutional class or no-load mutual funds in Investment Portfolios which do not generate sales charges. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from Fund assets, therefore, indirectly from client assets. Adviser may be compensated by general promotion, advertising, and distribution fees (12b-1 fees) in relation to Client purchases and sales of mutual fund shares.

In general, fees associated with non-wrapped investment advisory services such as described here are slightly lower than investment advisory services provided under the CAPTRUST Wrap Fee Program.

CAPTRUST may give advice to others that may be different from the advice given to other CAPTRUST Clients. Clients should consider the value of the additional consulting services when making such comparisons. Some combinations of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees.

All fees may be subject to negotiation. When negotiating fees, factors considered, but not limited to, include: (i) clients with multiple accounts; (ii) size of the account; (iii) a prior or existing relationship; and (iv) a client's particular needs or financial characteristics. Due to the fact that fees may vary, clients with existing accounts may be charged fees not matching precisely the foregoing fee schedules or the fees paid by other clients.

Other costs that may be assessed that are not part of those outlined above include fees for portfolio transactions executed away from the broker/custodian selected by the client, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, and exchange fees, among others. Broker/custodian may charge Client certain additional and/or minimum fees.

**Fixed Fee Service.** Some Clients engage CAPTRUST to provide investment advisory and consultation services for a fixed or flat fee. Fixed fees are negotiable, but generally range from \$10,000.00 to \$250,000.00 on an annual basis, depending upon the level and scope of the services required. Adviser's fixed rate is determined based on anticipated work to be done. Fixed fee(s) will be charged quarterly in advance, (calculated on a per diem basis) upon the signing of a CSA by the Client. Fees for Clients engaging Adviser mid-quarter will be prorated on a per diem basis.

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

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

#### **Item 7 – Types of Clients**

CAPTRUST provides investment advisory services to wealth management clients such as individuals, trust, estates and charitable organizations, foundations, endowments, corporations or other businesses not listed here.

CAPTRUST also provides advisory services to retirement plans including, 401K plans, 403B plans, pensions and profit sharing plans, non-qualified plans, foundations, endowments, corporations (or other institutional clients or businesses not listed above) on a continuous and regular basis, but those services are disclosed separately in CAPTRUST's Retirement Plan Services Disclosure Brochure.

In general, Adviser maintains a minimum account size requirement for its wealth Clients of \$50,000 to initially establish an account. The value of this account is subject to fluctuation, and therefore there is not a minimum maintenance requirement. Adviser retains the right to waive minimum initial account sizes should Adviser feel it is necessary and appropriate.

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

Our investment strategy begins with an understanding of a Client's financial goals. Adviser uses demographic and financial information provided by the Client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. Investment strategies generally include long- or short-term purchases of stock portfolios, mutual funds and fixed income securities and may include margin transactions, and options strategies.

Investment strategies - CAPTRUST utilizes both a risk-based and outcomes-based approach to asset allocation. The following asset classes: US Equities, International Equities, Fixed Income, Strategic Opportunities, Commodities and Real Estate are allocated amongst a series of models. Our outcomes-based models consist of our Discretionary Consulting Portfolios ("DCP"): Capital Preservation (previously called 0% Directional and 20% Directional), Fixed Income, Income, Core Opportunities, Conservative Growth (previously called 40% Directional and 60% Directional), Moderate Growth (previously called 72% Directional and 85% Directional), Aggressive Growth (previously called 100% Directional) and All Equity. Our risk-based models consist of our Managed Account Portfolios ("MAP") Income, Conservative, Moderate, Growth, and Aggressive. Within each model, CAPTRUST has several strategies including, Discretionary Consulting Portfolios ("DCP") with and without munis, DCP Prime, DCP Flex, DCP Focused, Managed Account Portfolio ("MAP") with and without munis and Dividend Equity. PMA Investment Portfolios where the CAPTRUST Investment Committee acts as Portfolio Manager may be allocated to one or more of these strategies using the asset allocated models described here. Investment recommendations are based on an analysis of the Client's individual needs, and are drawn from



research and analysis. However, in general, security analysis methods include fundamental analysis as well as quantitative and qualitative research on a given investment vehicle. Information for this analysis may be drawn from financial newspapers, magazines and databases, research materials prepared by others, annual reports, corporate filings and prospectuses. Additional sources of information utilized by CAPTRUST include meetings and discussions with investment managers employed by investment companies, statistical summaries and analysis and such other sources CAPTRUST deems appropriate. CAPTRUST may utilize services of sub-advisers and established third party research services to assist CAPTRUST with formulating asset allocation, industry and sector selection, and investment recommendations in managing the Client's funds. Technical analysis may be used when analyzing indices and/or securities other than open-ended mutual funds.

It is important to note that investing in securities involves certain risks that are borne by the investor. For risks associated with investment company (mutual fund) products Clients should refer to fund prospectuses. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Some funds utilized in strategies employed by CAPTRUST carry liquidity risk.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- Concentration Risk: Concentration Risk: The probability of loss due to heavy exposure to a single investment, equity or issuer. Some funds utilized in risk-based asset allocation (model strategies such as "DCP," "MAP," "Income," "Flex Income" or "Income w Muni's") employed by CAPTRUST carry a kind of concentration risk since Clients may own more than one fund managed by the same issuer; or Clients may be invested in several funds with similar strategies which poses a

type concentration risk. Another form of “concentration risk” occurs when one group of Clients comprise a large portion of a mutual funds total asset base, those investors experience an additional risk (over and above the risks associated with the investment’s strategy) due directly to the “concentration” of their assets in that fund. CAPTRUST strategies may involve some or all of the types of concentration risk described here.

- Other risks: Our recommended strategies include these risks (listed above) as well as other risks that are more specifically associated with managers, strategies, funds or instruments we select or recommend. For example, some recommended managers use derivatives (such as options as a hedge) which pose special risks; others carry liquidity risk specific to underlying investments; additionally, some of our asset allocated model portfolios have a particular concentration risk since we may allocate a large portion of a portfolio to a single manager, or a fund complex. Some portfolios include alternative (or uncommon) investment strategies; or allocations to funds with limited or no prior history of operations. Each recommended manager discloses risks associated with investing in their fund(s) separately (in their respective brochures and/or prospectuses). Although we acknowledge that Clients are relying on CAPTRUST to manage portfolio risk, Clients are encouraged to read prospectuses and ask questions of our financial advisors, portfolio managers or compliance team members. Call (919) 870-6822 or send a message to [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or prospective client’s evaluation of CAPTRUST or the integrity of CAPTRUST’s management. Neither CAPTRUST management, nor members of CAPTRUST’s Investment Committee have any reportable disciplinary history for this Item. Each Financial Advisor who acts as a Portfolio Manager has a separate Form ADV Part 2B. Please refer to your Financial Advisor’s Form ADV Part 2B for personal disciplinary information for that FA.

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

CAPTRUST is affiliated by common ownership to CapFinancial Securities, LLC, a FINRA broker-dealer (Member SIPC). CAPTRUST does not manage any proprietary funds.

Many Financial Advisors are life insurance licensed in order to act as agent of record for those Clients who own life insurance products or retirement plans funded with group variable products. Financial Advisors at CAPTRUST may occasionally recommend fixed or variable annuities or life insurance to their Wealth Clients when assisting them in executing their financial plan. CFS and CAPTRUST have business entity insurance licenses.

CFS, as an affiliated registered broker-dealer, offers individual (Wealth Clients) and institutional (Plan Clients) general securities investment services. The Investment Adviser Representatives with Adviser are simultaneously registered as CFS Registered Representatives. A Financial Advisor generally spends 20% of his/her time on work done for Clients focused on activities consistent with the definition of broker/dealer activities.

As a result of certain investment related recommendations (or other investment advisory services) provided to its Clients, CFS may facilitate certain securities purchases and/or sales, or insurance product purchases and/or sales on behalf of CAPTRUST Clients. Such transactions may be facilitated by CFS, in its capacity as a registered broker/dealer or insurance agent/agency (business entity). Commissions charged by CFS (the broker/dealer) may be higher or lower than obtainable elsewhere. All related compensation is separate from advisory services. In general, product revenue associated with Plan Client assets is captured to reduce the plan advisory fee pursuant to the terms of the RPASA.

Freedom One Retirement Services, LLC ("FORS") is also affiliated with CAPTRUST by common ownership. CAPTRUST acts as a discretionary ERISA 3(38) investment manager for Plan Clients for whom recordkeeping services are provided FORS ("Freedom401k Clients"). Freedom401k Clients may be paying more or less for recordkeeping services than other Plan Clients utilizing unaffiliated record keepers.

Pensionmark Financial Group, LLC ("PFG") is affiliated with CAPTRUST by common ownership. Some associated persons of PFG are also registered as Investment Advisory Representatives of CAPTRUST and/or registered representatives of CFS. PFG owns Pensionmark Securities, LLC (Member FINRA/SIPC). PFG and CAPTRUST share a physical location and have supervised persons in common.

In the first quarter of 2017, The CapFinancial Group, Inc. (CAPTRUST's parent company) acquired the substantial assets of The Johnston Group, Inc. ("TJG" CRD#122889) with an office in Lower Gwynedd PA (Philadelphia area) and also Windsor Financial Group, LLC ("Windsor" CRD#107462) in downtown Minneapolis, both federally registered investment advisers, as well as certain assets of HBK Wealth Management, LLC (CRD#168419) in Cincinnati, OH. In the second quarter of 2017, the assets of CapTrust Advisors, LLC (CRD#142941) (referred to herein at "CapTrust Tampa") with offices in Tampa, FL and Hollywood, FL were acquired; as well as the assets of My Group, LLC (doing business as "InTrust Fiduciary Group") (CRD#154355) with an office in Austin, TX. In the third quarter of 2017, the assets of Davidson & Garrard, Inc. (CRD#105206), with offices in Lynchburg and Lexington Virginia were acquired. Lastly, in the fourth quarter of 2017, the assets of Knox Capital Advisors, LLC (CRD#131000) in Draper Utah was acquired. Clients are being asked to assign their advisory agreements to CAPTRUST. KCA was the advisor to 2 private funds (Knox Opportunity & Knox Prime) both of which are closed to new investors. CAPTRUST does not act any proprietary funds, however some Knox Clients who may assign their advisory agreements to CAPTRUST may also be investors in one or both Knox Funds.

In general, CAPTRUST recommends that wealth clients, foundations, endowments or other institutional (non-qualified plan) clients (collectively referred to herein as "Wealth Clients") establish brokerage accounts through CFS using Pershing ("Custodian") to maintain custody of Clients' assets and to effect trades for their accounts. However, some CAPTRUST Wealth Clients utilize Fidelity, Schwab, and as a result of the acquisition of Davidson & Garrard, TD Ameritrade, for custodial and execution services ("Custodians"). However, Wealth Clients using CAPTRUST Wrap Programs are required to use Pershing which provides the managed account platform for CAPTRUST's Wrap Programs. (Please refer to CAPTRUST ADV Part 2 Wealth brochures and Appendices for information and important disclosures on these Wealth Advisory Services). These Custodians are FINRA registered Broker-Dealers. CAPTRUST is independently owned and operated and not affiliated with any Custodian.

#### **Item 11 – Code of Ethics**

Personal transactions in securities by directors, officers and employees of CAPTRUST who have access to nonpublic information regarding Clients' purchase and sale of securities, are involved in making

securities recommendations to Clients or who have access such non-public recommendations (“access persons”) are subject to the restrictions and procedures in CAPTRUST’s Code. All supervised persons at CAPTRUST must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code addresses, among other things, the following: (i) general principles that address CAPTRUST’s fiduciary obligations to its Clients, (ii) personal securities trading procedures restricting the purchase and sale, by access persons for their own accounts, of specific securities; (iii) provisions relating to the confidentiality of Client information; (iv) a prohibition on insider trading; and (v) restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment.

Occasionally, access persons of Adviser may recommend that Clients buy or sell the same securities or investment products that access persons of the Adviser also own. In such circumstances, Adviser shall give precedence to Client transactions. CAPTRUST’s employees and persons associated with CAPTRUST are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CAPTRUST will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of CAPTRUST’s Clients. In addition, the Code requires pre-approval of specific types of transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between CAPTRUST and its Clients.

CAPTRUST’s Clients or prospective clients may request a copy of the Adviser’s Code of Ethics by contacting the Compliance Department at (919) 870-6822 or (800) 967-9948 or by email at [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

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

Financial advisors (Investment Adviser Representatives) of Adviser also effect securities transactions for Clients as registered representatives of a broker/dealer. Further, Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Adviser’s compensation related to its investment advisory services. All FINRA, SEC, and other regulatory agencies disclosure requirements and policies are observed for all transactions.

As stated in Item 4, most Clients choose wrap fee arrangement when utilizing the brokerage platform provided for by Pershing, LLC. See ADV Part 2A Appendix 1 for complete description of wrap fee programs sponsored by CAPTRUST.

CAPTRUST uses a risk-based approach to portfolio management. Regardless of whether a Client is in a “wrap” or a “nonwrap” account, when executing trade orders within a risk-based strategy including those described in the CAPTRUST PMA Wrap Brochure as “DCP”, “PMA” or “MAP” strategies, accounts trades are blocked together if the objectives/instructions for the order are similar. Block trades across all three custodians are placed simultaneously regardless of whether the account is a wrap account or not.

Block Trades: CAPTRUST may, in its discretion, “bunch” orders being placed for execution at the same time for the accounts of two or more clients, which may include accounts in which CAPTRUST’s affiliates and employees may have an ownership interest, where it believes such aggregation is appropriate and in the best interest of its Clients. This practice may enable CAPTRUST to seek more favorable executions and net prices for the combined order. However, CAPTRUST is not obligated to bunch or aggregate orders or to include any particular account in a bunched order if portfolio management decisions for such accounts are made separately or if CAPTRUST determines that aggregating trades would be inconsistent with the Adviser’s investment management duties or with any investment objectives, guidelines or restrictions applicable to a particular account.

All orders placed for execution on an aggregated basis (“block” trades) are subject to CAPTRUST’s Trade Allocation Procedures (“Procedures”). Under the Procedures, CAPTRUST will bunch orders where appropriate for the participating Clients and when consistent with CAPTRUST’s duty to seek best execution. Prior to or contemporaneous with the entry of an aggregated order, a written preallocation and/or other written statement will be generated, which identifies the Client accounts or trading group(s) of Client accounts participating in the bunched order, the proposed allocation of the order, upon completion, to the relevant Client accounts or trading group(s) and the amount (either in dollars, number of shares, or % of market value of Client account(s)) that the portfolio manager will accept for each Client account or trading group of Client accounts. Prevailing trading activity frequently may make it impossible to receive the same price or execution on the entire volume of securities purchased or sold. When CAPTRUST cannot fill all orders at the same price, each account that participates in the block order will receive the average price for all the transactions on a particular day. Thus, the effect of the aggregation may operate in some circumstances to a particular Client’s disadvantage. When a bunched order is partially filled, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial preallocation statement and that does not consistently advantage or disadvantage particular Clients or groups of Client accounts, as determined by CAPTRUST from time to time. However, adjustments to the allocation may be made to avoid *de minimis* allocations to Client accounts or to avoid deviations from pre-determined holding limits established for any account. CAPTRUST will retain records of the trade order (specifying each participating account) and its allocation.

In addition, although CAPTRUST generally attempts to block trades for Client accounts, aggregation may not be possible because of that Client’s specific brokerage arrangements or other factors. As previously mentioned, CAPTRUST recommends that Wealth Clients establish accounts with Pershing (and Wrap Fee accounts must use Pershing), some Clients may select Schwab or Fidelity act as custodian and broker/dealer for their accounts. As such, when the PMA Portfolio Manager implements a portfolio decision or strategy ahead of or contemporaneously with, similar portfolio decisions or strategies of another Client, market impact, liquidity constraints or other factors could result in one or more Clients receiving less favorable trading results, the costs of implement such portfolio decisions or strategies could be increased or such Clients could otherwise be disadvantaged. On the other hand, potential conflicts may also arise because portfolio decisions regarding a Client or group of Clients may benefit other Clients. There can be no assurance that any actual or potential conflicts of interest will not result in a particular Client or group of Clients receiving less favorable investment terms in or returns from certain investments than if such conflicts of interest did not exist.

For CAPTRUST Client accounts maintained in custody by the Custodian described in Section 10, the Custodian generally does not charge separately for custody services but may be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that

are executed through the Custodian or that settle in accounts held by the Custodian. The Custodian may also make available to CAPTRUST other products and services that could benefit CAPTRUST but may not benefit all Clients' accounts. Some of these other products and services assist CAPTRUST in managing and administering Clients' accounts. These may include software and other technology that provide access to Client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of CAPTRUST's fees from its Clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of CAPTRUST's accounts, including accounts not maintained at the Custodian.

Examples of other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, they may make available, arrange and/or pay for these types of services rendered to CAPTRUST by independent third parties or may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CAPTRUST.

The foregoing arrangements with the Custodian pose a conflict of interest to the extent they create an incentive for CAPTRUST to suggest that Clients maintain their assets in accounts at the Custodian on the basis of products and services that may become available to CAPTRUST as a result, rather than solely on the basis of the nature, cost or quality of custody and brokerage services provided by the Custodian to clients. However, CAPTRUST is constrained by fiduciary principles to act in its Clients' best interests and will suggest a custodian to clients only when it appropriate to do so. In addition, CAPTRUST maintains an awareness of the services provided to Clients by the custodians in an effort to ensure that Clients are well served.

Some Clients may use Bank of New York or an affiliated Trust Company for custodial services for their trusts or retirement assets. Therefore it is material to disclose that as a broker-dealer, CAPTRUST has an existing relationship with Pershing, LLC ("Pershing"), an affiliate of Bank of NY in the form of a "Clearing Agreement."

With regards to Client accounts maintained in custody by Pershing, pursuant to the "Clearing Agreement," with CFS, Pershing acts as a custodian/clearing firm to execute, clear, settle, and hold CAPTRUST Clients' accounts and securities. Although transactions (with the exception of those done by application) are placed through Pershing, LLC, CFS does not *direct brokerage* to any particular broker/dealer for execution, but rather relies on Pershing, LLC to direct brokerage execution.

Additionally, if a trade error occurs, it may result in profit or loss to CFS. The firm has controls in place to limit such trade errors. Financial advisors/registered representatives will not participate in any profits resulting from such errors. Item 12 includes additional details regarding brokerage practices and related disclosures.

Some transactions that must be done *by application or subscription agreement* will be facilitated directly with the fund administrator, insurance company, or other legal entity responsible for effecting such transactions. Most of Adviser's business is done on a fee basis. However, there are a limited number of Client accounts that are on a commissioned basis. All commissions received from effecting transactions

will be reviewed for reasonableness in accordance with Adviser's policy on best execution. Commissions and/or transaction fees charged by Pershing, LLC may be higher or lower than obtainable elsewhere.

Occasionally, CFS may, in its capacity as a FINRA Broker/Dealer, engage in riskless principal transactions giving CAPTRUST clients access to investments which otherwise may not be accessible in a retail brokerage account. For example, CFS may purchase a block of securities acting on a riskless principal basis and then allocate those securities amongst several CAPTRUST Client accounts. Rarely, CFS may engage in an agency cross transaction between two CAPTRUST Clients, but this only occurs when it is beneficial to both parties and Adviser does not act as a principal. However, Adviser does not engage in such transactions on behalf of Plan Clients.

Other CAPTRUST Clients utilize the brokerage platform provided by either Fidelity's Institutional ("Fidelity") or Charles Schwab Institutional ("Schwab"). In those cases, CAPTRUST does have the ability to negotiate fees or commissions on behalf of Clients, but CAPTRUST does not direct brokerage to a particular venue for execution, but rather relies on Schwab or Fidelity (with the exception of bond trades that may be directed to a prime broker available to CAPTRUST thru the Fidelity or Schwab Platforms). Fees and commissions charged by Fidelity or Schwab may be higher or lower than obtainable elsewhere. Circumstances occasionally arise when Schwab or Fidelity must impose a separate or special handling or custodial charge for acting as custodian for an exempt security or private placement that was recommended by CAPTRUST to a CAPTRUST Advisory Client. On a case by case basis, CAPTRUST may cover the cost of this type of fee on a "value-added" basis by having the fee directly billed to CAPTRUST rather than the Client or by reimbursing the Client.

Finally, CAPTRUST participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. CAPTRUST receives some benefits from TD Ameritrade through participation in the Program. (Please see the disclosure under Item 14. below.)

### **Item 13 – Review of Accounts**

Client Accounts are advised by their financial advisor responsible for performing periodic reviews and consulting with the respective Client. Ongoing reviews of markets, sectors and individual securities are conducted by the respective financial advisor. Additionally, Client Investment Portfolio accounts are reviewed quarterly by the CAPTRUST Consulting Research Group, Principals and Compliance to determine the suitability and allocations of types of assets and investments in relation to a Client's objectives and the necessity or desirability of any change in such objectives. Unaffiliated mutual fund holdings and outside Investment Managers are monitored on a continuous and regular basis by CAPTRUST Consulting Research Group. Kevin Barry, Chief Investment Officer, heads up the Consulting Research Group. ADV Part 2B lists all the members of the Consulting Research Group who are also members of the Investment Committee or who are involved in the review process and in determining the investment advice to be given by the Adviser. Denise Buchanan, Chief Compliance Officer, heads up the Compliance Team. Additionally, monthly statements/reports are provided by the custodian of the Clients Assets. Quarterly performance reports are prepared by CAPTRUST for Wealth Client accounts. Clients may access their quarterly performance reports electronically via CAPTRUST's state-of-the-art client portal developed by technology provider Black Diamond®. For information on how to access your reports, please call your

CAPTRUST Financial Advisor at (919)870-6822 or (800)216-0685 or you may email [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

CAPTRUST receives a daily download of transaction information from Schwab, Fidelity and TD Ameritrade and has access to Wealth Client accounts through their institutional advisor platform(s). Clients agree to inform the CAPTRUST in writing of any material changes to the Client's investment goals and objectives or financial situation that might affect the manner with which Client's assets should be invested. Additionally, Clients who wish to impose reasonable restrictions on the management of their accounts may do so by contacting their Financial Advisor at (919)870-6822 or (800)216-0685 or you may email [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

Additionally, Clients may contact CAPTRUST during normal business hours to consult with CAPTRUST concerning the management of the Client's account(s).

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

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

#### **TD AdvisorDirect Program**

CAPTRUST may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, CAPTRUST may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with CAPTRUST and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise CAPTRUST and has no responsibility for CAPTRUST's management of client portfolios or CAPTRUST's other advice or services. CAPTRUST pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to CAPTRUST ("Solicitation Fee"). CAPTRUST will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by CAPTRUST from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired CAPTRUST on the recommendation of such referred client. CAPTRUST will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding



additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. CAPTRUST's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, CAPTRUST may have an incentive to recommend to clients that the assets under management by CAPTRUST be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, CAPTRUST has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. CAPTRUST's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

#### Schwab Advisor Network®

CAPTRUST receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through CAPTRUST's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CAPTRUST. Schwab does not supervise CAPTRUST and has no responsibility for CAPTRUST's management of clients' portfolios or CAPTRUST's other advice or services. CAPTRUST pays Schwab fees to receive client referrals through the Service. CAPTRUST's participation in the Service may raise potential conflicts of interest described below. CAPTRUST pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by CAPTRUST is a percentage of the fees the client owes to CAPTRUST or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. CAPTRUST pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to CAPTRUST quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by CAPTRUST and not by the client. CAPTRUST has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs CAPTRUST charges clients with similar portfolios who were not referred through the Service. CAPTRUST generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The NonSchwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees CAPTRUST generally would pay in a single year. Thus, CAPTRUST will have an incentive to recommend that client accounts be held in custody at Schwab. The Participation and Non-Schwab Custody Fees will be based on assets in accounts of CAPTRUST's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CAPTRUST will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit CAPTRUST's fees directly from the accounts. For accounts of CAPTRUST's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from CAPTRUST's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus,

CAPTRUST may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. CAPTRUST nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for CAPTRUST's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

#### Item 15 – Custody

Clients should receive statements at least quarterly from the qualified custodian that holds and maintains the Client's investment assets. CAPTRUST urges Clients to carefully review such statements and compare the official custodial records to any reports provided by CAPTRUST. CAPTRUST reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. CAPTRUST does not act as a qualified custodian for Client assets. However, CAPTRUST does disclose upon the ADV Part 1 (Item 9) that it has custody of clients' funds or assets because of the method by which CAPTRUST processes third party checks for Clients and also because a small number of Wealth Clients have asked a CAPTRUST Financial Advisor to act as a trustee or in a similar capacity with respect to their wealth assets. Therefore, CAPTRUST undergoes an annual "surprise" audit by an independent certified public accountant to audit the funds and securities in the accounts for these Clients and who is also engaged to prepare an internal control report annually.

#### Item 16 – Investment Discretion

For certain of CAPTRUST Clients, Adviser has the authority to determine, without obtaining specific Client consent, both the securities to be bought and sold in their accounts as well as the amount of the securities to be bought or sold. However, this discretion must be provided at the beginning of the Adviser/Client relationship and documented in the **Agreement**. There is no particular set limit to this discretion established as part of the **Agreement** or this disclosure document. Adviser has the authority to determine the commission rates paid on behalf of the Adviser but does not have any control over the fees charged by the custodian/clearing firm for the services they provide. These fee changes have a direct impact to the Client as they may be charged commissions for certain transactions. There is no limitation on such discretion, and the Client may pay commissions higher than those obtainable from other broker/dealers for the same products and services. Through its affiliated broker-dealer, CAPTRUST has an existing relationship with Pershing as clearing firm to execute, clear, settle, and hold Client accounts and securities. Some transactions must be facilitated by application or subscription agreement. Those will be facilitated directly with either the fund administrator, insurance company, or other legal entity responsible for effecting such transactions. In general, Adviser's business is done on a fee basis. However, there are a limited number of Client accounts that are on a commissioned basis.

All commissions received by CFS from effecting transactions will be reviewed for reasonableness in accordance with Adviser's policy on best execution. Commissions and/or transaction fees charged by Pershing, LLC may be higher or lower than obtainable elsewhere.

#### Item 17 – Voting Client Securities

In general, where CAPTRUST has been provided discretionary authority by its Clients, Clients delegate the authority to vote their proxies to CAPTRUST. It is CAPTRUST's aim to see that proxies are voted in the best interest of its clients. In General, the proxy voting guidelines are designed to be responsive to the wide

range of issues that can be raised in proxy situations. The Proxy Voting Policy contains detailed guidelines and specific methods by which conflicts of interests are addressed.

**Accounts Managed By Outside Investment Managers:** Occasionally CAPTRUST recommends that a client use an outside manager. Under those conditions, Clients relegate the right to vote proxies to their outside account manager. The outside manager's proxy voting policies will be detailed in their Form ADV Part 2.

To obtain a copy of CAPTRUST's Proxy Voting Policy or for a copy of CAPTRUST's Proxy Voting record, Clients can contact CAPTRUST directly at: (800) 216-0645 or (919) 870-6822 or may write to [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com) or to CAPTRUST Compliance Dept 4208 Six Forks Road #1700, Raleigh NC 27609.

### **Item 18 – Financial Information**

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

### **Privacy Policy**

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

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

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

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

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

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

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

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

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

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

CapFinancial Partners, LLC, doing business as CAPTRUST Financial Advisors, (“CAPTRUST”) is a federally registered investment adviser with an affiliated broker/dealer, CapFinancial Securities, LLC (CFS) that utilizes the clearing and custodial services of Pershing, LLC (“Pershing”). For many CAPTRUST Advisory Clients, Pershing provides custody, back-office and trade support, for CAPTRUST (through CFS), so for most CAPTRUST wealth advisory clients, account(s) and assets are maintained and custodied by Pershing; however, some CAPTRUST Advisory Clients, have elected to have their accounts and assets are maintained and custodied at Fidelity Institutional Brokerage Services or Charles Schwab & Co., Inc. Plan Clients’ assets are maintained at their respective custodians as selected by each Plan Client. However, Freedom401k Plan Clients accounts and assets are maintained and custodied at Fidelity Institutional Brokerage.

CAPTRUST summarizes the manner in which CAPTRUST’s Business Continuity Plan (“BCP”) addresses the possibility of significant business disruptions (“SBD”). Accordingly, CAPTRUST furnishes this document to clients in order to provide information about our efforts to minimize the impact of an emergency, business disruption or disaster on the business of CAPTRUST.

In general, industry regulations require firms to create and maintain a business continuity plan reasonably designed to meet its obligations to its clients or other counter-parties. In accordance with these requirements, CAPTRUST has designed a business continuity plan to address possible scenarios in efforts to minimize any service impact to our clients. In keeping with the regulatory requirements, the business continuity plan for CAPTRUST is designed to address key areas of concern - including but not limited to the following:

- Data back-up and recovery;
- Mission critical systems;
- Financial and operational assessments;

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

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

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

Regardless of the scope of potential disruption, CAPTRUST intends to continue to provide service to its clients. In the event of a significant business disruption, where the primary building or business district is located, we will move our staff from affected offices to the closest of our unaffected offices. The firm has several other locations from which to conduct business. Therefore, should the primary building or business district be affected by a disruption, the other locations can be used to help restore operations. In the unlikely event of a citywide or regional disruption, several of CAPTRUST's other locations ("established recovery sites") are in other cities relatively close in proximity. The first established recovery site is approximately 170 miles from its headquarters (in Charlotte NC) and the other is approximately 400 miles (Atlanta GA). Either alternate location can be used to restore time sensitive functions as soon as key employees are relocated to the facility. In the event that any such disruption occurs, we have developed alternative service arrangements, systems, locations and contingency plans to ensure that any service is quickly restored.

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

For those CAPTRUST Clients who are utilizing Fidelity as custodian:

Although CAPTRUST recognizes Fidelity as a Critical Business Constituent, Fidelity's proprietary web-based platform permits access to your account remotely regardless of a business local, city-wide or regional disruption. For a summary of Fidelity's Business Continuity Plan, please call CAPTRUST at (800) 216-0645 or you may reach Fidelity directly at 800-343-3548. Client may access their accounts by logging into [www.fidelity.com](http://www.fidelity.com).

For Clients who are utilizing Charles Schwab as custodian:

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

For Clients who are utilizing TD Ameritrade as custodian:

Although CAPTRUST recognizes TD Ameritrade as a Critical Business Constituent, TD Ameritrade's proprietary web-based platform permits access to your account remotely regardless of a business local, city-wide or regional disruption. For a summary of TD Ameritrade's Business Continuity Plan, please call CAPTRUST at (800) 216-0645 or you may reach TD Ameritrade directly at: 800.669.3900. Clients may access their accounts by logging into [www.invest.tdameritrade.com](http://www.invest.tdameritrade.com).

At a minimum, the CAPTRUST business continuity plan is reviewed, updated and tested on an annual basis. Additionally, our primary internal and external application providers periodically conduct testing of their own back-up capabilities to ensure that, in the event of an emergency or significant business disruption, they will be able to provide us with the critical information and applications we need to continue or promptly resume our business. When testing our plan, we review the recovery time and resumption time period for all mission critical systems. Making sure that any type of disruption does not unduly impact our clients is extremely important to us, and our business continuity plan is designed to allow us to continue to provide the quality service you have come to expect from CAPTRUST. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions (919) 870-6822 (local) or (800) 216-0645 (toll-free) and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site ([www.captrustadvisors.com](http://www.captrustadvisors.com)) that customers may access their funds and securities by contacting Pershing, Fidelity, Schwab or TD Ameritrade directly.

## CAPTRUST ADV Part 2 B

### Item 1 – Cover Page

#### **Consulting Research Group**

#### **Investment Committee**

March 30, 2018

This brochure supplement provides information about CAPTRUST Financial Advisors Consulting Research Group's Investment Committee. Specifically, the persons who determine the investment advice to be given are summarized in this supplement to the CAPTRUST Financial Advisors ("CAPTRUST") Disclosure Brochure. You should have received a copy of that brochure. Please contact the Compliance Department at (919) 870-6822 if you did not receive the CAPTRUST Disclosure Brochure or if you have any questions about the contents of this supplement. Additional information about CAPTRUST is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Education Background and Business Experience

**J. Fielding Miller**  
Chief Executive Officer

Born: 1960

### Educational Background

Fielding earned his Bachelor of Science, Business Administration degree in business marketing from East Carolina University.

### Business Experience

As the co-founder of CAPTRUST Financial Advisors, Fielding is credited with setting the course for the company becoming one of the nation's largest independent financial advisory firms. As Chairman and CEO, he continues to lead our corporate strategy, ensuring that CAPTRUST remains competitively positioned to serve our clients' needs in an increasingly complex and volatile market environment.

Dates		Firm	Position			
10/2003	Present	CAPFINANCIAL PARTNERS LLC (CAPTRUST)	RALEIGH	NC	USA	CEO
6/2002	10/2003	Wachovia Securities Financial Network	RALEIGH	NC	USA	Financial Advisor
1997	6/2002	CapTrust Financial Advisors, LLC	CHARLOTTE	NC	USA	President



## Kevin Barry, CFA®, PRM™, CTFA

Chief Investment Officer  
Consulting Research Group

Born: 1959

### Educational Background

Kevin earned his Bachelor of Science in finance from LaSalle University and a Master of Science in finance management from the University of London.

### Business Experience

Kevin leads the firm's Consulting Research Group, the team responsible for investment manager due diligence, asset allocation, and discretionary investment management for the firm's wealth management and institutional retirement plan advisory businesses. He also serves as a member of the Executive Committee. Most recently, Kevin served as chief investment officer and senior portfolio manager for Third Law Capital Management in New York. There, he developed macroeconomic investment themes, conducted fundamental security analysis, and implemented asset allocation, hedging, and risk management solutions for clients. Previously, he was a partner and portfolio manager at Caxton Associates, a global macro hedge fund. He has more than 20 years' experience in portfolio management, capital market strategy, and investment research.

Dates		Firm	Position			
04/2017	Present	CAPFINANCIAL PARTNERS LLC (CAPTRUST)	RALEIGH	NC	USA	Chief Investment Officer
04/2015	02/2017	Third Law Capital Management	New York	NY	USA	Chief Investment Officer
05/2014	03/2015	Self-employed	Avalon	NJ	USA	Private Investor
03/2008	04/2014	Caxton Associates Alternative Fund	New York	NY	USA	Portfolio Manager, Partner
11/2006	12/2007	Brevan Howard Hedge Fund	New York	NY	USA	Portfolio Manager

**Mark Paccione, CFA**  
Director, Investment Research

Born: 1975

Educational Background

Mark earned his BA in Mathematical Economics from Wake Forest University.

Business Experience

Dates		Firm	Position		
10/2005	Present	CAPFINANCIAL PARTNERS, LLC	RALEIGH	NC	Director, Investment Research
03/2004	09/2005	MORGAN STANLEY & CO. INCORPORATED	SAN FRANCISCO	CA	Sales Assistant
10/2002	10/2003	ELECTRONIC TRADING GROUP	SAN FRANCISCO	CA	Equity Trader

**David Hood**  
Director, Investment Research

Born: 1978

Educational Background

David is a graduate of University of North Carolina at Chapel Hill with a BA in Political Science and a BA in Journalism and Mass Communication. David earned his MBA from Wake Forest University in finance.

Business Experience

Dates		Firm	Position		
09/2009	Present	CapFinancial Partners, LLC (CAPTRUST Financial Advisors)	RALEIGH	NC	Senior Manager, Investment Research
08/2007	08/2009	Wake Forest University	Winston-Salem	NC	Graduate Student
06/2004	07/2007	Electric Supply Co of NC	Durham	NC	Associate
8/2002	6/2004	King & Spalding LLC	Washington	DC	Legal Assistant, Antitrust lit

**Hunter Brackett**  
Senior Manager, Investment Research

Born: 1974

Educational Background

Hunter is a graduate of Washington and Lee University with a Bachelor of Arts in Economics. Hunter earned his MBA from UNC Kenan-Flagler Business School, with a concentration in Investment Management.

Business Experience

Dates		Firm	Position		
06/2012	Present	CapFinancial Partners, LLC (CAPTRUST Financial Advisors)	RALEIGH	NC	Senior Manager, Investment Research
11/2011	05/2012	Sabbatical	Chapel Hill	NC	
03/2008	10/2011	NCM Capital Mgt	Durham	NC	Sector Leader Research Analysis
03/2004	02/2008	Lehman Brothers	NY	NY	Equity Research Associate

**Matt Ogden**  
Manager, Investment Research

Born: 1984

Educational Background

Matt earned a Bachelor of Arts degree in Mathematical Economics from Colgate University

Business Experience

Dates		Firm	Position		
04/2010	Present	CAPTRUST Financial Advisors	Raleigh	NC	Manager, Investment Research
06/2006	12/2009	Rocaton Investment Advisors	Norwalk	CT	Analyst

### Item 3 - Disciplinary Information

The Investment Committee Members of CAPTRUST'S Consulting Research Group ("CRG") summarized here are Investment Advisor Representatives of CAPTRUST. Investment Advisory Representatives are required to disclose all material facts regarding any legal and disciplinary events that may be material to your evaluation of the representative. None of these CAPTRUST Investment Advisory Representatives (Fielding Miller, Kevin Barry, Mark Paccione, David Hood, Hunter Brackett and Matt Ogden) have any information applicable to this Item.

### Item 4 - Other Business Activities

Investment Committee Members may also be Registered Representatives of CapFinancial Securities, LLC, an affiliated registered broker-dealer and member FINRA/SIPC. However, Investment Committee Members in CRG are salaried employees whose compensation is not determined by assets under management or commissions (transaction based fees) or product revenue.

In this way, CAPTRUST eliminates the conflict of interest so they have no financial incentive to recommend securities and other investments that may result in commissions, brokerage fees, 12b-1 fees or other payments.

When CapFinancial Securities, LLC collects revenue as a broker/dealer on products associated with CAPTRUST Plan Client assets, members of CRG do not act as "broker of record," but rather, the Financial Advisor who is responsible for relationship management may do so. However, all product revenue associated with Plan assets is reflected upon an invoice to Plan Clients and used to offset or lower the Plan Client's advisory fee. CAPTRUST is constrained by fiduciary principles to act in your best interest.

### Item 5 - Additional Compensation

The members of CRG do not receive additional compensation for advisory services other than fees paid by the Client.

### Item 6 - Supervision

The investment advisory activity of CRG is supervised by Denise Buchanan, Chief Compliance Officer. Ms. Buchanan can be reached at (919) 870-6822. The CAPTRUST Financial Advisor ("Financial Advisor") responsible for performing periodic reviews and consulting with Clients is in a relationship management role. The members of the Consulting Research Group ("CRG") summarized here are responsible for ongoing reviews of markets, sectors and individual securities. This continuous and regular investment supervision is conducted by CRG under the Investment Committee's direction and supervision. Kevin Barry leads CRG and is a member of CAPTRUST's Executive Committee, reporting directly to Fielding Miller. David Hood manages CRG's Investment Manager Due Diligence program. Mark Paccione manages the CRG team focused on Wealth Clients. Mark Paccione and David Hood report directly to Kevin Barry; Hunter Brackett and Matt Ogden report directly to David Hood.