

# **FAI Capital Management, Inc.**

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**March 11, 2020**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of FAI Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 813-874-6621. 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.

Additional information about FAI Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for FAI Capital Management, Inc. is 147025.

FAI Capital Management, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment dated March 8, 2019, we have no material changes to report.

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## Item 4 Advisory Business

### Description of Services and Fees

FAI Capital Management, Inc. is a registered investment adviser based in Tampa, Florida. We are organized as a sub Chapter S corporation under the laws of the State of Florida. We have been providing investment advisory services since 2008. Jerry Ford is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**
- **Advisory Consulting Services**
- **Selection of Other Advisers**
- **Sub-Advisory Services**
- **Swap Advisory Services**
- **Business Consulting Services**
- **Structured Products**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to FAI Capital Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

#### Portfolio Management Services

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. As part of our portfolio management services, we offer an investment policy statement that addresses specific areas of your interests or concerns regarding your financial resources, depending upon your unique circumstances, and serves as a guide for asset allocation.

As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will re-balance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Non-discretionary portfolio management services are limited to governmental entities and charitable organizations. We will monitor your assets at least on a monthly basis and will provide recommendations as to asset allocation. You are free at all times to accept or reject any investment recommendation from us. You are solely responsible for implementing any recommendations made by us under a non-discretionary portfolio management engagement.

Additionally, as part of our portfolio management services, we may use one or more sub-advisers to manage a portion of your account on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without your prior approval. We may pay a portion of our advisory fee to the sub-adviser(s) we use; however, you will not pay our firm a higher advisory fee as a result of any sub-advisory relationships.

The annual fee for portfolio management services is billed monthly in arrears based on the daily asset value. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar month. On an annualized basis, our fee for non-discretionary portfolio management services ranges from 0.02% to 0.15% of assets under management and the fee for discretionary portfolio management services ranges from 0.04% - 0.18%. Portfolio management fees may be negotiable depending on factors such as the amount of assets under management, range of investments, and complexity of your financial circumstances, among others. We will invoice you directly for the payment of fees.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

#### Advisory Consulting Services

We offer consulting services which primarily involves advising clients on specific financial-related topics. The topics we address may include, but are not limited to, risk assessment/management, investment planning, financial organization, or financial decision making/negotiation. Advisory services may also include the development of an investment policy statement. We charge either a fixed fee for advisory consulting services. Fixed fees are negotiable and range from \$7,500 to \$50,000, depending on the scope and complexity of services to be rendered. Alternatively, we may charge an hourly fee of \$275 for senior staff, \$225 for intermediate staff and \$125 per hour for support staff. Our consulting fee is payable upon completion of the agreed upon consulting services.

#### Selection of Other Advisers

As part of our investment advisory services, we may recommend that you use the services of a third party investment adviser ("TPA") to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific TPA or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPA's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPA(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

We will either share in the advisory fee you pay directly to the TPA or the assets managed by the TPA will be included in calculating our advisory fee. Advisory fees charged by TPAs are separate and apart from our advisory fees. The advisory fee you pay to the TPA is established and payable in accordance with the brochure provided by each TPA to whom you are referred. In the event our advisory fee is payable in addition to the TPA's fee, you should review the recommended TPA's brochure and take into consideration their fees along with our fees to determine the total amount of fees associated with

the recommended program. TPA fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPA. As such, a conflict of interest may arise where our firm or our associated persons may have an incentive to recommend one TPA over another TPA with whom we have more favorable compensation arrangements.

You will be required to sign an agreement directly with the recommended TPA(s). You may terminate your advisory relationship with the TPA according to the terms of your agreement with the TPA. You should review each TPA's this brochure for specific information on how you may terminate your advisory relationship with the TPA and how you may receive a refund, if applicable. You should contact the TPA directly for questions regarding your advisory agreement with the TPA.

#### Sub-Advisory Services

We offer sub-advisory services to unaffiliated third party money managers (the "Primary Investment Adviser"). As part of these services, we will manage assets delegated to our firm by the Primary Investment Adviser. While we are responsible for the overall management of the assets delegated to our firm, we will not communicate investment recommendations or selections directly to the Primary Investment Adviser's individual clients.

A formal agreement will govern the sub-advisory arrangement. Fees and payment arrangements are negotiable and will vary on a case-by-case basis.

#### Swap Advisory Services

We also provide advice on the structuring and pricing of interest rate swaps associated with debt transactions. Specifically, we act on behalf of the borrowers in the capacity of a Qualified Independent Representative ("QIR").

As a general guideline, the typical fee for swap advisory services is less than .05% of the notional amount of a swap or the yield of escrow securities or the guaranteed investment contract which we arrange to obtain on behalf of the client.

We also provide periodic valuations of interest rate swaps for clients. The fee for this service is a fixed annual fee that depends on the complexity of the swap to be valued and the frequency of valuation.

#### Business Consulting Services

Our advice to businesses includes cash flow analysis, preparing pro forma statements, investment research, and advising the client on capital arrangements, formation, and financing. Our business consulting services are limited to providing advice to the client; we do not assume or undertake authority on the client's behalf.

We charge a fixed or hourly fee for business consulting services that are negotiable depending on the scope and complexity of our services rendered. Our negotiated business consulting fee is set forth in the agreement with the client and payable in accordance with a schedule established at the onset of the engagement.

#### Structured Products

FAI Capital Management, Inc. provides analytical services for designing and procuring portfolios in connection with activities including the refunding of municipal bonds and the investment of bond proceeds. In these types of engagements we arrange for purchases of specific securities that are generally government obligations or structured investments including but not limited to forward delivery agreements, guaranteed investment contracts, and flexible repurchase agreements. We work on our client's behalf to either arrange these purchases by obtaining bids on a competitive basis or, in rare instances, through negotiating on behalf of our client.

We usually charge a fixed fee for these types of engagements. Client's may pay the fee, or they may arrange or instruct the investment contract counterparty or underwriter in writing to pay our fee on the client's behalf. The fee is negotiable depending upon the complexity and scope of the plan for each engagement. As a general guideline, the typical fee for investment of municipal bond proceeds in a structured investment, or in a refunding bond escrow structuring and procurement engagement, is less than or equal to 0.2% of the cost of the portfolio or the sum of the total deposits under the agreement. In limited circumstances, the fee will be higher, often because the portfolio is small in size.

### **Types of Investments**

We primarily offer advice on commercial paper, certificates of deposit, municipal securities, mutual funds and U.S. Government and agency securities.

We provide Florida governmental entities access to collateralized depository products in banks designated as Qualified Public Depositories in accordance with Florida Statutes, Chapter 280, Security for Public Deposits.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Assets Under Management**

As of December 31, 2019, we provide continuous management services for \$610,902,006 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

We may have solicitation, revenue-sharing, or other agreements with funds registered under the Investment Company Act of 1940. Under these arrangements, we will receive compensation for recommending these funds. If we receive a fee for recommending that you purchase one of these funds, our clients may be eligible for a rebate, depending on the nature of the contract with our firm. Disclosure on these arrangements is set forth in your investment advisory agreement with our firm.



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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to governmental agencies, corporate and non-profit organizations.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- *Charting Analysis* - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- *Fundamental Analysis* - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- *Technical Analysis* - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- *Long Term Purchases* - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- *Short Term Purchases* - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information



obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Long term purchases may also be affected by unforeseen long term changes in the company in which you are invested or in the overall market. Short term trading generally involves a greater degree of risk than long term trading due to market volatility over a short period of time.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend several types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Arrangements with Affiliated Entities**

Jerry W. Ford, President of FAI Capital Management, Inc., is the President of Ford & Associates, Inc., ("Ford & Associates"), a firm providing consulting services to municipal issuers. Mr. Ford spends the majority of professional time as the President of Ford & Associates. Advisory clients of our firm may also be clients to whom Ford & Associates provides debt advisory and long-range capital improvement planning services. The fees paid to us for advisory services are separate and distinct from the fees paid to Ford & Associates and the two firms may have clients in common. You are under no obligation to use the services of Ford & Associates. In some cases, we may provide certain services on behalf of Ford & Associates. In such cases, Ford & Associates clients may pay fees for such services directly to our firm.

### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We will receive compensation from the TPA for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

### **Cash Management Services**

We may introduce both advisory and non-advisory clients to the Federally Insured Cash Account ("FICA") managed by StoneCastle Cash Management, LLC. The FICA deposit yield includes all fees associated with the program. For client accounts that do not participate in our portfolio management

services, as described above (a non-managed account), we will be compensated directly by StoneCastle for introducing your account to the FICA program. The compensation paid to our firm will be based on a percentage of total cash on deposit equal from 0.05% to 0.50%. However, we do not receive compensation from StoneCastle for client accounts that participate in our portfolio management services.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

We or an affiliate may invest in companies that we provide business consulting services. This presents a conflict of interest in that we may have an incentive to advise based on the returns we may receive from our investment in the client's company rather than the client's needs. A client is under no obligation to act upon our recommendations. To mitigate this conflict, we disclose this conflict to clients to assure that their interests are considered and require that neither our Associated Persons nor we shall have priority over the client's interests. To further mitigate this conflict, we do not recommend investments of this nature to our investment advisory clients.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## Item 12 Brokerage Practices

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar agreements.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

## Item 13 Review of Accounts

Jerry W. Ford, President/Chief Compliance Officer, will monitor discretionary accounts on an ongoing basis. Non-discretionary client accounts will be monitored on at least on a monthly basis. Triggering factors that may stimulate additional reviews of an account include, but are not limited to, the following: changes in economic conditions, changes in your financial situation or investment objectives, and/or your request for an additional review of the account.

We will not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

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

We may have solicitation, revenue-sharing, or other agreements with other advisory firms or funds registered under the Investment Company Act of 1940. Under these arrangements, we will receive compensation for recommending advisory services or funds. If we receive a fee for recommending that you participate in programs offered by other advisors or funds, we may rebate the fee to you up to the amount of advisory fee payable to our firm. Disclosure on these arrangements is set forth in your investment advisory agreement with our firm. Please see item 10 Other Financial Industry Activities and Affiliations above for additional information.

We do not compensate any individual or firm for client referrals.

## **Item 15 Custody**

We do not maintain custody over client assets.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State Registered Investment Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.