



## **Canal Capital Management, LLC**

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

This brochure provides information about the qualifications and business practices of Canal Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 804-325-1450. 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 Canal Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our searchable IARD/CRD # is 164971.

Canal Capital Management, LLC 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.

Generally, Canal Capital Management, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

Since the filing of our last annual updating amendment, dated April 13, 2020, we have the following material change to report:

- Item 18 has been updated to disclose a PPP loan our firm has taken to support our ongoing operations.
- Additionally, we have enhance disclosures around the Selection of Other Advisers and our non-discretionary portfolio management service. Please refer to the *Advisory Business, Fees and Compensation, Other Financials Industry Activities and Affiliations, Brokerage Practices and Investment Discretion* sections for additional details.

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## Item 4 Advisory Business

### Description of Services and Fees

Canal Capital Management, LLC is a registered investment adviser based in Richmond, Virginia. We are organized as a limited liability company under the laws of Virginia. We have been providing investment advisory services since 2012. Everett Neil Gilliss is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
- Financial Planning Services
- Selection of Other Advisers
- Management Services to Pooled Investment Vehicles
- Tax Preparation Services

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 Canal Capital Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

### Portfolio Management Services

We offer 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 at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we will customize an investment portfolio for you according to your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis and will rebalance the portfolio as required by changes in market conditions and/or in your financial circumstances.

In order for our firm to provide you portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us 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 and the appropriate 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.

We may also offer non-discretionary portfolio management services. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

### Financial Planning Services

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad, comprehensive, financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also

use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we may deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan and/or financial planning advice to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

### **Selection of Other Advisers**

As part of our investment advisory services, we may recommend that you use the services of a third-party money manager ("MM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific MM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: The MM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the MM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives. The MM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire MM(s) and/or reallocate your assets to other MM(s) where we deem such action appropriate.

### **Management Services to Private Pooled Investment Vehicles**

We provide specialized discretionary advisory services to private pooled investment vehicles herein referred to as ("the Funds" or if individually, "the Fund"). The Funds are unregistered investment companies organized as limited partnerships. Investments in the Funds are not registered under the Securities Act of 1933, as amended, and are only offered after delivery of a private placement memorandum and execution of the subscription agreement and other offering documents. Investments in the Funds are offered only to accredited investors within the meaning of SEC Rule 501 of Regulation D of the Securities Act of 1933. Some Funds are offered only to qualified clients as defined within the meaning of Rule 205-3 under the Advisers Act. Investments in the Funds are offered by private offering memorandum which provides investors with full disclosure regarding the objectives of the Funds, the risks involved with the offering and the minimum initial capital contribution or commitment required.

Different strategies may be carried out for each Fund and therefore, there should be no expectation that the performance of any individual Fund would or should be similar to that of any other Fund. You should refer to the subscription agreement and other offering documents for a complete description of the fees, investment objectives, risks, and other relevant information associated with investing in the Funds. The Funds undergo an independent audit annually by a Public Company Accounting Oversight Board ("PCAOB") registered firm.

### **Tax Preparation Services**

We also offer tax preparation services. All clients interested in these services are required to sign a separate tax engagement agreement outlining the terms and scope of these services.

### **General Business Consulting**

In addition to our advisory service, we also offer general business consulting services, which is typically non-investment related in nature. Through our general business consulting services, we offer a variety of business-related services to clients who own or desire to own a business. Our services include, but are not limited to: performing business valuations, mergers and acquisitions, succession/exit planning, business accounting and financial advice, and assist clients in obtaining business financing. Additionally, we can assist business owners and/or potential owners with services, support, and advice during each step of a business sale/purchase; which includes, but is not limited to: preparing a business for sale, determining market value, examining the financial implications of the sale, marketing and positioning the company, matching buyers and sellers, negotiating terms, completing due diligence, and closing the transaction.

#### **Wrap Fee Programs**

We do not participate in any wrap fee program.

#### **Types of Investments**

We do not primarily recommend one type of investment over another. 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 January 30, 2020, we provide continuous management services for \$450,880,964 in client assets on a discretionary basis, and \$25,294,438 in client assets on a non-discretionary basis.

### **Item 5 Fees and Compensation**

#### **Portfolio Management Services**

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following maximum fee schedule:

<b>Assets Under Management</b>	<b>Maximum Annual Fee</b>
First \$250,000	1.50%
\$250,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	0.90%
\$2,000,001 - \$4,000,000	0.80%
Over \$4,000,000	0.70%

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. Adjustments will be made for deposits and withdrawals made in the account intra quarter. Since the portfolio management fee is billed in advance, we will provide a pro-rata adjustment to your advisory fee based on deposits and withdrawals that occurred in the prior quarter.

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.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. Additionally, for those portfolio management clients that also participate in either of the Funds, we waive our advisory fee on the portion of assets invested in either or both Funds.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the portfolio management agreement upon 10-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. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Planning Services**

We charge a fixed fee or hourly rate for financial planning services. Our fixed fees generally range from \$1,500 - \$10,000, and the average hourly rate is \$250. The fees are negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

We require that you pay 50% of the hourly or fixed fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$500. Should the engagement last longer than six months between acceptance of financial planning agreement and delivery of the financial plan, any prepaid unearned fees will be promptly returned to you less a pro rata charge for bona fide financial planning services rendered to date.

At our discretion, we may offset our financial planning fees to the extent you implement our financial planning recommendations through our Portfolio Management Service.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Selection of Other Advisers**

Advisory fees charged by MMs are separate and apart from our advisory fees. Assets managed by MMs will be included in calculating our advisory fee, which is based on the fee schedule set forth in the *Portfolio Management Services* section in this brochure. Advisory fees that you pay to the MM are established and payable in accordance with the brochure provided by each MM to whom you are referred. These fees may or may not be negotiable. You should review the recommended MM's brochure and take into consideration the MM's fees along with our fees to determine the total amount of fees associated with this program.



### **Management Services to Pooled Investment Vehicles**

Canal Capital Management, LLC serves as the Investment Manager or Investment Advisor to the Funds. Typically, the Investment Manager or Investment Advisor is responsible for the management, operation and control of the investment activities of the Funds, to the extent provided in the Partnership Agreement and Management Agreement. The Investment Manager's primary functions will be to identify, analyze and select potential Portfolio Investments.

Canal Capital Management, LLC charges a management fee or administration fee in accordance with the terms of each Fund. You should refer to the offering documents for a complete description of the fees and other relevant information associated with investing in the Funds. Generally, the management fees and administration fees are between 0% and 2% of the investors' capital or capital commitment. The fees are deducted from each Fund's account on a quarterly basis. Additionally, some Funds charge Performance-Based Compensation. Please refer to the *Performance-Based Fee and Side-By-Side Management* section of this brochure for additional details.

### **Tax Preparation Services**

Tax preparation fees are billed at an average hourly rate of \$250 per hour. Our fees are negotiable and are based on the complexity of the situation and the estimated amount of time spent working on the client's situation. Current year tax preparation fees will be quoted upon the execution of the client engagement and are due upon the completion of the tax return.

### **General Business Consulting**

Business Services clients are billed for fees incurred. Clients who engage Canal Capital to aid them in buying or selling a business or obtaining business financing are billed a monthly retainer fee and a success fee at the time of the closing of the purchase/sale of the business or business financing.

### **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 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.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents may have an incentive to recommend insurance products to you for the purpose of generating commissions. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.



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

In addition to an annual management fee, we may charge performance-based fees to qualified clients that participate the Funds, if returns on the fund exceed an established benchmark ("known as a hurdle rate"). "Qualified clients" have a net worth greater than \$2,100,000 or for whom we manage at least \$1,000,000 immediately after entering an agreement for our services. Performance-based fees may create an incentive for the investment adviser to favor those accounts over those that provide for asset-based fees. Canal Capital Management, LLC does not use discretionary investment management authority to invest client funds in the Funds nor does it require any client to invest in the Funds. We offer alternative investment opportunities with non-affiliated funds to clients who prefer not to invest in our Funds. You should refer to the offering documents of the Funds for a complete description of the fees, investment objectives, risks, and other relevant information associated with investing in the Funds.

We also charge performance based fees to "qualified clients" that participate in our Portfolio Management Services. The terms of the performance based compensation will be memorialized in your advisory agreement.

We manage accounts that are charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management may create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, our investment committee periodically reviews client accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities to clients who are charged performance-based fees over clients who are charged asset-based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, high net worth individuals, private funds, pension and profit sharing plans, and charitable 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**

Canal Capital Management's investment strategy is built on a foundation of asset allocation, which attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame. We recognize that evaluating investment strategies is an ongoing process and may change depending on various circumstances.

We use a combination of the following types of research to build our client portfolios:

- *Fundamental Analysis* is a method of evaluating a security in an attempt to measure its intrinsic value, by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts study anything that can affect the security's value, including macroeconomic factors such as the overall economy and industry conditions, and microeconomic factors such as financial conditions and company management. The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.
- *Technical Analysis* is a trading tool employed to evaluate securities and attempt to forecast their future movement by analyzing statistics gathered from trading activity, such as price movement and volume. Unlike fundamental analysts who attempt to evaluate a security's intrinsic value, technical analysts focus on charts of price movement and various analytical tools to evaluate a security's strength or weakness and forecast future price changes.

Investment decisions are made by the Investment Committee, which operates under a dual-mandate of keeping the portfolio allocations in-line with long-term goals, while analyzing current economic and market conditions. The Committee generally meets formally on a weekly basis, but holds informal meetings daily.

Investments vehicles used to implement our strategies include stocks, bonds, mutual funds, exchanged traded funds ("ETFs"), real estate, hedge funds, real estate investment trusts ("REITs") and private placements. However, we may use other securities as well to help diversify a portfolio when applicable.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.** Canal Capital Management does not guarantee the future performance of an account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management. Clients understand that investment decisions made for the client's account by our firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

Canal Capital Management generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. Our investment approach continuously focuses on the risk reward equation inherent in each asset class. Investors face the following investment risks:

- **Interest-rate Risk:** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates. In addition, falling interest rates may cause a portfolio's income 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 underlying circumstances
- **Inflation Risk:** When an inflationary economic environment exists, a dollar in the future does not buy as much as a dollar today will buy. This negatively impacts people on fixed incomes.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return. This primarily relates to fixed income securities.
- **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.
- **Business Risk:** These risks are associated with an industry or a particular company within an industry.
- **Financial Risk:** Excessive borrowing to finance the operations of a business increases risk 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.
- **Exchanges or on the over-the-counter market.** ETFs generally do not charge initial sales charges or redemption fees and investors typically pay only customary brokerage fees to buy and sell ETF shares. An investment in an ETF generally presents the same primary risks as an investment in a conventional mutual fund that has the same investment objectives, strategies, and policies. The price of an ETF can fluctuate up or down, and a client account could lose money investing in an ETF if the prices of the securities owned by the ETF go down.

## Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

## Item 10 Other Financial Industry Activities and Affiliations

### Licensed Insurance Agents

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. See the *Fees and Compensation* section in this brochure for more information.

### Arrangements with Affiliated Entities

We are affiliated with several limited liability companies ("LLCs"), by virtue of common control and ownership. Specifically, Neil Gilliss, Noah Greenbaum, Craig Truitt and Margaret Smith serve as Managing Members to one or more of the following LLCs: Haxall Point Partners, LLC ("Haxall

Point"), Haxall Point II, GP LLC ("Haxall Point II"), HP MH I GP, LLC ("HP MH I"), and HIC Haxall Fund I, LP ("HIC I"). Haxall Point, Haxall Point II, HP MH I and HIC I each serve as a General Partner to a Fund where Canal Capital Management, LLC is also the Investment Manager or Investment Advisor.

### **Private Pooled Investment Vehicles**

Canal Capital Management, LLC serves as the Investment Manager or Investment Advisor to various private pooled investment funds (the "Funds" or each a "Fund"). The Funds objective is to allow investors to participate in strategic investment opportunities in the private real estate space. We may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to the Funds. To the extent that Canal Capital Management, LLC's individual advisory clients qualify and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate as limited partners of the Funds. The terms and conditions for participation in the Funds, including management and/or incentive fees, conflicts of interest, risk factors, and liquidity constraints, are set forth in the Funds offering documents, which each prospective investor client shall receive and shall be required to complete. The client shall be required to submit the corresponding Subscription Agreement to the General Partner in order to demonstrate qualification for investment in the Funds.

**Please Note:** We may provide investment advice regarding private investment funds. Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Conflict of Interest:** Because Canal Capital Management, LLC, our affiliates, and/or our members shall earn compensation from the *Private Fund*, that may exceed the fee that Canal Capital Management, LLC would earn under its standard "assets under management" fee schedule investor presents a conflict of interest. No client is under any obligation to become a *Private Fund* investor.

**Conflict of Interest:** Associated Persons of our firm are invested in the Funds. As investors, they have an incentive to devote more time to the Funds than to you or to provide limited investment opportunities to the Funds instead of you. Furthermore, they may have an incentive to recommend one or more of the Funds rather than recommending other investments.

We address these conflicts by disclosing them in this brochure and in the offering documents of each Fund. While we believe these relationships are commonplace in the investment industry and bring added value to our clients, the Associated Persons serving in these separate capacities are fiduciaries and are required to act at all times in accordance with our Code of Ethics and to act only from principles of fair and equitable dealing and good faith with respect to all parties.

### **Recommendation of Other Advisers**

We may recommend that you use a third party money manager ("MM") based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the MM for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended MM(s). Refer to the *Advisory Business* section above for additional disclosures on this topic.

## **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 persons associated with our firm. 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 persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are 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 - Private Pooled Investment Vehicle/Sponsor of Limited Partnership**

As discussed above in the *Other Financial Industry Activities and Affiliations* section, we are affiliated with the Funds. As the investment adviser, our firm has a nominal interest in these Funds and our employees invest alongside our investment advisory clients. Such interest and side by side sharing may encourage our firm to advise clients to invest their assets in the partnerships and may influence the allocation of these assets. We review client portfolios on a regular basis in conjunction with allocation guidelines to ensure that they are invested solely in the best interests of the client and in accordance with the client's investment objectives. By virtue of the client's relationship as an advisory client of our firm, all investment adviser representatives of our firm owe a fiduciary duty to any such client and will be required to consider the client's investment objectives and individual situation before and while engaging in any private offering to such client.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. 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 mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We will recommend that securities be purchased through the facilities of TD Ameritrade Institutional, a division of TD Ameritrade, Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. In selecting a broker dealer we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. In recognition of the value of research services and additional brokerage products and services TD Ameritrade provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We participate in the institutional adviser program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program. In addition to the benefits disclosed herein, we may receive benefits such as assistance with conferences and educational meetings from product sponsors. We also participate in the TD Ameritrade AdvisorDirect Program for advisers ("AdvisorDirect"). Disclosures on AdvisorDirect are more fully discussed in *Item 14 Client Referrals and Other Compensation*.

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

We do not have any soft dollar arrangements.

#### **Economic Benefits**

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our 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 our participants; access to aggregated trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

#### **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.

#### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts. This practice may also prevent our firm from obtaining favorable net price and



execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Aggregate Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregate trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in aggregate trading with your accounts; however, they will not be given preferential treatment.

We do not aggregate trades for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, 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 clients who enter into discretionary arrangements with our firm.

## **Item 13 Review of Accounts**

### **Portfolio Management Review**

Our Investment Committee will monitor your accounts on a periodic basis and will conduct account reviews at least quarterly to ensure the advisory services provided to you and that the portfolio mix are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We may provide you with additional or regular written reports in conjunction with account reviews. Reports we provide to you will contain relevant account and/or market-related information such as an inventory of account holdings and account performance, etc. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Our Investment Committee includes Neil Gilliss, Noah Greenbaum, Margaret Smith and Craig Truitt.

### **Financial Planning Review**

The Investment Adviser Representative that our firm assigns to your account will review your financial plan periodically upon your request to ensure that the planning advice and/or asset allocation recommendations made to you are consistent with your stated investment needs and objectives. Written updates to the financial plan will not be provided in conjunction with the review unless requested. Such reviews and updates will be subject to our then current hourly rate. We will not provide regular written reports to you for financial planning and consulting services. If you implement financial planning advice through us, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.



## Item 14 Client Referrals and Other Compensation

### TD Ameritrade AdvisorDirect

We will receive client referrals from TD Ameritrade through our participation in TD Ameritrade AdvisorDirect (the "Advisor Direct" or "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we 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 our firm; we do not have an employee or agency relationship between them. TD Ameritrade has established the referral program 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 advisers. TD Ameritrade does not supervise our firm and has no responsibility for our management of your portfolios or our other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral ("Solicitation Fee"). 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%. We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by our firm 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 who hire our firm on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to you. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisers 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, we may have an incentive to recommend to our clients that their assets under management with our firm be held in custody with TD Ameritrade and to place transactions for their accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians except when our fiduciary duties require us to do so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

### TD Ameritrade Institutional Customer Program

As disclosed above, we participate in TD Ameritrade's Institutional Customer Program ("Institutional Program") and we may recommend TD Ameritrade to clients for custodial and brokerage services. Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with TD Ameritrade.

### Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you.

## Item 15 Custody

Your assets will be held with a qualified custodian, which will send statements at least quarterly. We directly debit your account for the payment of our advisory fees. The account statements from your custodian will indicate the amount of our advisory fees deducted each billing period. You should carefully review account statements for accuracy.

### Standing Letters of Authorization

We may assist clients with the transfer of their assets between two or more of a client's accounts maintained at the client's custodian or maintained with multiple custodians. This ability to transfer a client's assets between the client's accounts, provided the client has authorized the adviser in writing to make such transfers, causes our firm to exercise limited custody over your funds or securities.

Pursuant to Rule 206(4)-2 (the "Custody Rule"), we have taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017, (the "SEC no-action letter"). With respect to third party standing letters of authorization ("SLOA"), where a client may grant Canal Capital Management, LLC the authority to direct custodians to disburse funds to one or more third party accounts, we are deemed to have limited custody. However, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter.

### Private Pooled Investment Vehicles

We have legal access to the Funds' assets since our firm acts as the investment adviser to the Funds and we are affiliated with the General Partners to the Funds; therefore, we have custody over such assets. Both Funds are subject to annual audits by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"). Audited statements are delivered to investors within 180 days of fiscal year-end.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, and the appropriate trading authorization forms. You must 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 nor will we offer advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, 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 required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. On April 23, 2020, the firm received a Paycheck Protection Program ("PPP") loan through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to the economic uncertainties surrounding the current COVID-19 pandemic, we believed it was necessary and prudent for us to apply for, and accept, the Payroll Protection Program loan offered by the Small Business Administration in order to support our ongoing operations. The firm used the PPP funds to continue payroll for the firm's employees, including employees primarily responsible for performing advisory functions for our clients, and make other permissible payments. The loan is forgivable provided the firm satisfies the terms of the loan program.

We are not required to provide a balance sheet or other financial information to our clients because we do not require the prepayment of fees in excess of \$1,200 and six months or more in advance.

We do not have any financial condition that is reasonably likely to impair our ability to meet our commitments to you. Moreover, we have never been the subject of a bankruptcy petition.

## **Item 19 Requirements for State-Registered Advisers**

Canal Capital Management, LLC is an SEC registered firm and this section does not apply to our firm.

## **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 non-public 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 non-public personal information about you to employees, who need that information to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public 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.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine 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.