

Investment Adviser Form ADV Part 2A

Capital Options, Inc.

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This brochure provides information about the qualifications and business practices of Capital Options, Inc. If you have any questions about the contents of this brochure, please contact us at (828) 696-3828.

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

Additional information about Capital Options, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

The use of the term registered investment adviser does not imply a certain level of skill or training.

February 19, 2021

Item 2 – Material Changes

There were no material changes to this Brochure since the last annual amendment filing.

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Item 4 – Advisory Business

Capital Options, Inc. (“the Adviser” or “Capital”) has been in business since 2006. Michael Brodnax is the principal owner. Capital became a registered investment adviser in 2020.

Investment Management Services

The Adviser provides investment management services to its clients on a non-discretionary basis. When the Adviser manages client assets on a non-discretionary basis, the Adviser notifies the client and obtains permission prior to the sale or purchase of each security within the managed account. Clients may decide not to invest in certain securities or types of securities and may refuse to approve securities transactions.

The Adviser provides investment management services that include, among other things, advice regarding asset allocation and the selection of investments, portfolio design, investment plan implementation and ongoing investment monitoring. The Adviser relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations. The Adviser doesn’t participate in wrap fee programs by providing portfolio management or any other services.

Assets Under Management

As of December 31, 2020, the Adviser manages \$156,047,000 in nondiscretionary assets.

Financial Planning & Consulting Services

The Adviser provides financial planning and consulting services consistent with a client’s financial and tax status, in addition to their risk tolerance and investment objectives. Financial planning and consulting services may typically include the following and are offered based on client needs:

- Financial statement preparation and analysis (including cash flow analysis/planning and budgeting)
- Insurance planning and risk management
- Employee benefits planning
- Investment planning
- Income tax planning
- Retirement planning
- Estate planning

The financial planning and consulting processes generally include:

- Establishing and defining the client-planner relationship
- Gathering client data including goals
- Analyzing and evaluating the client’s current financial status
- Developing and presenting recommendations and/or alternatives
- Implementing the recommendations
- Monitoring the recommendations

The Adviser starts the comprehensive financial planning process by taking a financial inventory. This generally involves gathering enough data to perform an analysis of client liabilities, cash flow, net worth and tax assessments. The Adviser also evaluates client insurance coverage and needs. The Adviser's next step typically involves assisting clients with formalizing their goals and plotting their investment timeline as part of the financial planning process.

Financial Planning Conflicts of Interest

A conflict of interest is created whenever the Adviser or an associated person of the Adviser recommends products or services to a client for which the Adviser or an associated person receives compensation. Financial planning clients are under no obligation to act upon any recommendations of the Adviser or to execute any transactions through the Adviser or an associated person if they decide to follow the recommendations.

Item 5 – Fees and Compensation

Investment Management Fees

The Adviser is compensated for investment management services based on a client's assets under management. Fees are paid quarterly in arrears and are negotiable on the portion of assets under management over \$50,000,000. Fees are due on the first day of the calendar quarter, and are based on the account's asset value as of the last business day of the prior calendar quarter. Fees are prorated for accounts opened during the quarter. The Adviser deducts fees directly from client accounts.

Annualized Fees *

		Per Year
First	\$500,000	0.90%
Next	\$500,000	0.70%
Next	\$1,000,000	0.50%
Next	\$3,000,000	0.40%
Next	\$5,000,000	0.30%
Next	\$10,000,000	0.25%
Next	\$30,000,000	0.20%
Over	\$50,000,000	Negotiable

* Note: Clients that transitioned from firms with which Mr. Brodnax was previously associated are grandfathered. They will continue to be billed at their previous rates (referrals based on lineal kinship will be subject to the previous rates). Fees are waived for Donor Advised Fund Accounts.

The account custodian may charge fees, which are in addition to and separate from advisory fees. Accounts may incur transaction costs, retirement plan administration fees, mutual fund annual expenses and other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

Clients will have a period of five (5) business days from the date of signing an advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the advisory agreement with 30 days written notice. Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement. However, the Adviser will prorate fees to the date of termination.

Financial Planning & Consulting Fees

The Adviser charges clients an hourly or fixed fee for financial planning and consulting services. Clients are billed at the rate of \$375 an hour or a fixed fee that generally ranges from \$2,000 to \$7,500. Fees are based on the complexity of the plan or project and the range of services provided. Advisory clients should note that fees for comparable services vary and lower or higher fees for comparable services may be available from other sources. Hourly and fixed fees are due and payable upon completion of the plan or services.

If clients elect to implement recommendations made in a financial plan, their accounts will incur additional fees and charges, such as program or platform fees, transaction costs, retirement plan administration fees, and other mutual fund annual expenses that are charged by broker-dealers, plan administrators or mutual fund companies that sell securities or provide additional services to Adviser clients. These fees are in addition to and separate from planning and consulting fees.

The Adviser anticipates that the financial plan produced will be delivered within six months or sooner of the date of the agreement. The Adviser considers fees for financial planning or a consulting project to be earned as progress is realized toward creation of the plan or completion of the service. Under no circumstances will the Adviser earn fees in excess of \$1,200 more than six months in advance of services rendered.

Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the agreement with 30 days written notice. Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement. However, the Adviser will prorate fees to the date of termination.

Receipt of Additional Compensation

Neither the Adviser nor any supervised person is associated with any broker dealer or accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

The Adviser does not charge or receive, directly or indirectly, any performance-based fees.

Item 7 – Types of Clients

The Adviser provides advisory services to:

- Individuals – Trusts, estates, 401(k) plans and IRAs of a household count as one individual.
- High net worth individuals – An individual who is a “qualified client” under rule 205-3 of the Advisers Act of 1940 or is a “qualified purchaser”.
- Charitable or nonprofit organizations – This may include social welfare organizations, agricultural/horticultural organizations, labor organizations, business leagues or trade associations and entities that operate for purposes that are religious, artistic, literary, charitable, scientific, educational or in the interest of public safety.
- Pension and profit-sharing plans (other than plan participants)

Account Minimums

The Adviser does not impose a minimum account requirement on clients.

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

Method of Analysis

The Adviser’s main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases. The Adviser may recommend one or a combination of assets and investment strategies as follows:

Mutual and Exchange Traded Funds

The Adviser recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. The Adviser considers index funds based on how closely the funds’ characteristics mirror the indices they track. The Adviser analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information.

The Adviser reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr. Return
- 3 Yr. Return

- 5 Yr. Return (Typically over a five-year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Total Expense Ratios
- Net Assets
- Turnover
- Median Market Capitalization

The Adviser also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

Public Equity

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. The Adviser uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact the price movement of a company's stock. The Adviser also makes comparisons to the company's peers and to the broader market.

Corporate Debt & Municipal Securities

The Adviser generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage. Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside potential of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

Private Securities

Some securities are acquired in unregistered, private sales from the issuer or from an affiliate of the issuer typically through Regulation D or other private placement offerings or employee stock benefit plans as compensation for professional services, or in exchange for providing start-up capital. The Adviser reviews the applicable offering documents. The Adviser may analyze:

- Management structure
- Backgrounds of management personnel
- Management and director compensation
- Financial statements
- Regulatory environment
- Competitors
- Products and services differentiators
- Threats to a company's ability to execute its business plan

In the case of pooled investments, the Adviser may also analyze:

- Allocation of profits, losses and taxes
- Custody of securities and cash
- Lock-up period or any limitations towards the redemption of interest
- Exemptions from registration and types of investors
- Investment strategy, objective and the use of leverage
- Conflicts and potential conflicts of interest
- Performance information Gross or net and how calculated
- Valuation particularly of illiquid securities and hard assets

Investment Strategies

The Adviser works with each client to design an appropriate investment strategy based on their financial and tax status, risk tolerance and investment objectives. The Adviser usually recommends investment strategies for the long-term, but may occasionally recommend short-term investment and hedging strategies. The Adviser generally recommends a target asset mix with periodic rebalancing.

Strategic Asset Allocation

The client and the Adviser will establish a “base policy mix”, which is the proportion of the client’s portfolio to be allocated for each asset class (like stocks, bonds, funds, real estate, etc.) based on expected rates of return for each asset class. Strategic Asset Allocation is a buy-and-hold strategy that applies even if there is a shift in the values of the assets that causes a drift from the initially established asset mix.

Tactical Asset Allocation Strategy

A Tactical Asset Allocation Strategy allows for clients to occasionally engage in short-term deviations from their original asset mix in order to capitalize on unusual or exceptional investment opportunities. This flexibility adds a component of market timing enabling clients to participate in economic conditions that are more favorable for one asset class than for others. The client returns to his or her original asset mix once desired short-term profits are achieved. The Adviser attempts to exploit these opportunities by overweighting or underweighting applicable asset classes while favorable market conditions exist then rebalancing to the original allocation.

Dynamic Asset Allocation Strategy

In this strategy, there is no preset asset allocation in a client’s investment portfolio. The Adviser constantly adjusts the mix of client assets as markets rise and fall and the economy strengthens and weakens. The Adviser will sell assets that are declining in value and purchase assets that are increasing.

The Adviser adjusts the mix of assets within client portfolios based on prevailing market and economic conditions to take advantage of the relative strength of assets among the asset classes. An asset with the highest relative strength receives the largest asset allocation.

Modern Portfolio Theory

The Adviser uses Modern Portfolio Theory as one of its core investment strategies. Modern Portfolio Theory ("MPT") involves a type of asset diversification that uses a mathematical formula for diversifying client investments and minimizing risk.

MPT allows clients to attempt to maximize expected return on investments for a given amount of portfolio risk or minimize risk for a given level of expected return through carefully choosing the allocations of various assets in a client portfolio. The idea is to select a portfolio of investments that collectively has a lower risk than any one individual asset. MPT describes how to select a portfolio with the highest possible expected return taking into consideration the amount of risk that a particular client is willing to bear. Expected returns are based on historical return data and the correlation among assets can converge and diverge for extended periods. This means that portfolios may not perform as anticipated.

Risk of Loss

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments. Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries opportunity risks. It is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

Item 8.A – Frequent Trading of Securities

The Adviser is not involved in the frequent trading of securities.

Item 8.B – Material Risks of Particular Securities

The Adviser doesn't recommend any type of security that involves significant or unusual risks except for the following which may present material risks to investors:

Municipal securities – Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by a specific project (like a toll road or parking garage) for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

Partnership interests (real estate, oil and gas interests) – Investment partnerships are typically composed of a limited number of partners and at least one general partner.

The liability of the limited partners is restricted to the amount of each partner's investment. The liability of the general partner is theoretically unlimited and extends beyond the amount invested to personal or corporate assets. Because of this increased exposure, the general partner manages the partnership, makes the investment decisions and receives management fees and a higher portion of the return on partnership investments.

Because of the nature of the limited partnership structure partnership investments should be considered long term and illiquid. There are typically no secondary markets in which these types of investments trade. Therefore, if the value of the underlying assets should decline, the value of partnership shares would also decline and unlike other types of securities, an investor may find it hard to quickly sell shares in an illiquid market.

Real Estate Investment Trusts ("REITs") – An REIT is a tax designation for an entity investing in real estate that reduces or eliminates corporate income taxes. A REIT can be a corporation, business trust, or association managed by one or more trustees or directors who pool the resources of individual investors for passive investment in real estate. REITs are required to distribute 90% of their income to investors so they have the potential to be good for investors that seek a steady income from their investments.

REITs typically receive special tax considerations and offer investors high yields. Individuals can invest by purchasing shares directly on an open exchange or by investing in a mutual fund that specializes in public real estate; so, REITs can be highly liquid.

REIT investing is not without risk. Real estate construction projects have a long timeline which can result overbuilding of types of properties owned by REITs. Higher interest rates may increase borrowing costs for construction, financing of the purchase of REIT owned properties and operating costs for existing REIT owned business properties. Any of these events may cause a substantial decline in the value of REIT investments.

Clients should consult the Adviser if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

Item 9 – Disciplinary Information

The Adviser does not have any disciplinary information to disclose.

Item 9.A – Criminal or Civil Actions

Neither the Adviser nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

Item 9.B – Administrative Proceedings

Neither the Adviser nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Item 9.C – Self-Regulatory Organization (“SRO”) Proceedings

Neither the Adviser nor any management person have been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in violating the SRO’s rules, or were barred or suspended from membership or from associating with other members, or were expelled from membership, otherwise significantly limited from investment-related activities, or fined.

Item 10 – Other Financial Industry Activities and Affiliations

Item 10.A – Broker-Dealer Registration

Neither the Adviser nor its management persons is or owns a securities broker-dealer or has an application for registration pending. No associated person of the Adviser is a registered representative of a broker-dealer.

Item 10.B – Futures Commission Merchant/Commodities

Neither the Adviser nor any management person is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities; nor do they have any registration applications pending.

Item 10.C – Relationships with Related Persons

Mr. Brodnax is an insurance agent appointed with various insurance companies. Mr. Brodnax may recommend insurance products in his capacity as an insurance agent and receive commissions and other compensation if products are purchased through any firms with which he is affiliated.

A conflict of interest is created whenever associated persons of the Adviser recommend products or services to a client for which the associated person receives compensation. Clients are under no obligation to act upon any of their recommendations or execute any transactions through them if they decide to follow their recommendations.

Item 10.D – Relationships with Other Advisers

Neither the Adviser nor any of its management persons have any other material relationships or conflicts of interest with any related financial industry participants other than those discussed above.

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

Item 11.A – Code of Ethics

The Adviser has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

Item 11.B – Participation or Interest in Client Transactions

Principal Trading

Neither the Adviser nor any affiliated broker-dealer affects securities transactions as principal with the Adviser's clients. Neither the Adviser nor any associated person acting as a principal, buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that the Adviser recommends to clients.

Agency-Cross Action Transactions

Neither the Adviser nor any associated person recommends that clients buy from or sell securities to other clients.

Additional Conflict of Interest Disclosures

The Adviser (or associated persons of the Adviser) receive the following additional compensation:

- Commissions on the sale of insurance or other products

Any of the above situations will result in a conflict of interest by creating an incentive for the adviser or associated persons to recommend a particular investment product or service.

The Adviser informs clients that they are under no obligation to act upon any recommendations or execute any transactions and may elect to do business with other advisers or broker-dealers at any time.

Item 11.C – Personal Trading by Associated Persons

The Adviser recommends that clients invest in various types of assets. The Adviser and its associated persons may invest in the same types of assets. Permitted investments for associated persons are all asset classes.

See Item 11.D for information concerning conflicts of interest.

Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored. Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

Item 12 – Brokerage Practices

Item 12.A – Factors in Selecting or Recommending Broker-Dealers

The Adviser makes custodial recommendations that are based on the Adviser's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to act on the recommendations of the Adviser.

Item 12.A1 – Research and Other Soft Dollar Benefits

The Adviser does not receive soft dollars generated by clients' securities transactions. The term "soft dollars" refers to funds which are generated by client trades being used by the Adviser to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom the Adviser engages to execute securities transactions.

Item 12.A2 – Brokerage for Client Referrals

The Adviser does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

Item 12.A3 – Directed Brokerage

The Adviser does not recommend or require that clients direct their brokerage business to any particular broker-dealer.

Item 12.B – Trade Aggregation

In placing orders to purchase or sell securities in accounts, the Adviser may elect to aggregate orders. In so doing, the Adviser will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the Adviser's investment advisory agreement with each client for which trades are being aggregated.

No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction; adviser will prepare, before entering an aggregated order, a written statement specifying the participating client accounts and how it intends to allocate the securities purchased among those clients.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the written statement. If the order is partially filled, it will be allocated pro-rata based on the written statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the written statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and approved in writing by the Adviser's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.

The Adviser's books and records will separately reflect, for each client account, the orders which are aggregated, the securities held by, and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis.

Cash or securities held collectively for clients will be delivered to the custodian bank or broker-dealer as soon as practicable following the settlement. The Adviser will receive no additional compensation of any kind as a result of the proposed aggregation and individual investment advice and treatment will be accorded to each client.

Item 13 – Review of Accounts

Mr. Brodnax performs reviews of all investment advisory accounts no less than quarterly. Mr. Brodnax reviews accounts for consistency with the investment strategy and performance chosen by clients (among other things). Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by an associate.

In addition, brokerage statements are generated no less than quarterly and the account custodian sends copies directly to clients. These reports list the account positions, activity in the account over the covered period and other related information. The custodian also sends confirmations following each brokerage account transaction unless confirmations have been waived.

Financial plans are reviewed only upon request.

Item 14 – Client Referrals and Other Compensation

The Adviser does not have an arrangement under which it or its associated persons compensate others for client referrals. The Adviser doesn't receive any economic benefit for providing advisory services to clients from a person who is not a client. This includes sales awards or prizes.

Item 15 – Custody

The Adviser doesn't accept custody of client funds or securities.

Item 16 – Investment Discretion

The Adviser will have discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. The Adviser will not have discretion over the selection of the broker to be used or the commission rates to be paid. However, the Adviser consults with clients prior to buying or selling any securities.

Item 17 – Voting Client Securities

The Adviser does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian or a transfer agent.

Clients may contact the Adviser with questions about a particular solicitation by telephone at (828) 696-3828.

Item 18 – Financial Information

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

The Adviser doesn't require prepayment of advisory fees so no audited balance sheet is being provided.

The Adviser anticipates that the financial planning services will be completed within six months or sooner of the date of the agreement. Under no circumstances will the Adviser earn fees in excess of \$1,200 more than six months in advance of services being rendered.