

**Firm Brochure**  
**Part 2A of Form ADV**

March 15, 2021

This brochure provides information about the qualifications and business practices of CapSouth Partners, Inc., dba CapSouth Wealth Management. If you have any questions about the content of this brochure, please contact us at: (334) 673-8600, or by email at [mbolden@capsouthpartners.com](mailto:mbolden@capsouthpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state security authority. Registration with the SEC or a state regulatory authority does not imply a certain level of skill or expertise.

Additional information about CapSouth Partners, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. The CRD number for CapSouth Partners is 132517.

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## **Item 2 - Material Changes**

### **Annual Update**

The Material changes section of this brochure will be updated at least annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the March 2019 Annual Filing**

Item 14.B – This section has been updated to reflect a solicitation agreement that CapSouth has entered into with SmartAsset Advisors LLC.

### **Full Brochure Available**

If you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (334) 673-8600 or by email at [mbolden@capsouthpartners.com](mailto:mbolden@capsouthpartners.com).

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## **Item 4 - Advisory Business**

### **4.A - Firm Description**

CapSouth Partners, Inc. (“CapSouth”, “ADVISER”, “we”, or “us”) was founded in 2001 by Donald P. Bolden. There are currently 21 employees, including 1 independent contractor. This team includes 9 investment advisory representatives and 12 administrative staff employees; included in this team is two Certified Financial Planner® designees, one Chartered Financial Analyst® designee, one CPA designee, and one attorney. The firm is federally registered with the SEC (Securities and Exchange Commission) as an Investment Advisor (Being registered with the SEC does not imply a certain level of skill or expertise).

Donald P. Bolden is the Principal Owner of CapSouth Partners, Inc.

### **4.B - Types of Advisory Services Offered**

CapSouth offers one or more of the following advisory services, where appropriate, to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities:

- Investment management services (Discretionary & Non-discretionary)
- Financial planning services
- Institutional consulting services
- Consulting services to individual clients
- Investment monitoring services

At the start of a client relationship, CapSouth will identify a client's financial background, prior investment experience, investment objectives, goals, restrictions (if any), and risk tolerances, among other things. This information is used in determining which planning recommendations are appropriate for the client and/or which investment recommendations are suitable for the client. CapSouth will update this information on a periodic basis. We also advise all clients to notify us immediately if there are any changes to their financial situation, investment objectives, and/or goals.

#### **4.B.i - Investment Management Services**

##### **Discretionary Investment Management**

CapSouth manages some client assets on a discretionary basis. A client who has given CapSouth discretionary management over an account is granting to CapSouth the discretion to select securities, asset amounts to be invested in a security, and the timing of any trades, so long as CapSouth maintains the account within the risk level selected by the client for the account. CapSouth manages accounts that are under discretion in the following ways:

1. CapSouth managed investment strategies
2. Automated investment program managed by CapSouth
3. Advisor managed investment strategies
4. Utilization of a sub-advisor (“Sub-Manager”) to perform the investment selection, allocation of investments and trading within the account.

1. The investment strategies managed and offered by CapSouth include four portfolios that primarily focus on active management. Each portfolio is designed to meet a particular investment goal. These portfolios may contain stocks, bonds, no-load mutual funds, eligible load-waived mutual funds, ETFs and other investments. Discretionary portfolios are managed by Marshall P. Bolden. Client accounts invested in a CapSouth portfolio are managed under the guidelines of the Investment Policy Statement agreed to and signed by the client.
2. CapSouth offers an automated investment program (“Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds (“ETFs”) and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”). We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).
3. Investment Advisor Representatives of CapSouth can select the individual investments that are utilized in a client account on a discretionary basis as opposed to utilizing a Sub-Manager or a CapSouth portfolio. These accounts usually contain stocks, no-load mutual funds, eligible load-waived mutual funds, ETFs, and CDs. These accounts are managed based upon the client’s specific goals and objectives for the account and based upon any applicable tax considerations of the account.

4. CapSouth may outsource the investment management of an account to a Sub-Manager. For the assets directed to a Sub-Manager for services, its responsibility includes the authority to:

- exercise discretion to determine the types of securities bought and sold, along with the percentage allocation
- apply its discretion as to when to buy and sell
- apply its discretion as to the timing of transactions
- select the broker-dealer for execution of securities transactions, if appropriate, and
- take other portfolio management actions ADVISER delegates or deems appropriate

Upon request, ADVISER will provide Clients with information about any Sub-Manager that ADVISER has referred Client assets. This information may include content provided by a Sub-Manager explaining its investment style, or an explanation from ADVISER describing the Sub-Manager's investment style. Additionally, upon request, ADVISER will provide Clients with a copy of the Sub-Manager's Form ADV, Part 2A.

Client has the right to request reasonable restrictions on the management of their assets, including restricting the appointment of any and all Sub-Managers to manage their assets. ADVISER has the right to reject Client restriction requests if it cannot reasonably comply with the request based on ADVISER's service offerings and capabilities. Client should look to ADVISER, rather than the Sub-Manager, with respect to carrying out any restrictions set forth by Client.

The primary Sub-Managers that we utilize for the investment management of accounts are United Capital Financial Advisers, LLC, a Goldman Sachs Company ("United Capital") and Trademark Capital Management Inc. ("Trademark").

For certain client assets, ADVISER outsources a portion of the investment management to United Capital, an investment adviser not affiliated with ADVISER, who serves as Sub-Manager. United Capital is granted limited discretionary investment authority over assets that ADVISER assigns to United Capital. Any authority of United Capital only applies to the specific assets, within the Client's custodial account, for which United Capital has been appointed as the discretionary manager. United Capital shall not provide investment advice, or have any advisory responsibility to the Client, beyond the assets for which it is appointed as Sub-Manager. The terms of services provided by United Capital are directed in accordance with a separate written agreement entered into between the ADVISER and United Capital. United Capital also provides separate services to ADVISER under its division FinLife Partners, as described below in the FinLife Partners Service Offering section.

For certain client assets, ADVISER outsources a portion of the investment management to Trademark, an investment advisor not affiliated with ADVISER, who serves as Sub-Manager. Trademark is granted limited discretionary investment authority over assets that ADVISER assigns to Trademark. Any authority of Trademark only applies to the specific assets, within the Client's custodial account, for which Trademark has been appointed as the discretionary manager. Trademark shall not provide investment advice, or have any advisory responsibility to the Client, beyond the assets for which it is appointed as Sub-Manager.

#### **Nondiscretionary Investment Management**

We provide nondiscretionary portfolio management services to clients. Investment Advisor Representatives use the client's investment objectives and risk tolerance when making recommendations to clients. Trades are entered only with the consent and approval of the client. We may also enter non-solicited trades per the client's request.

### **4.B.ii - Financial Planning Services**

#### **Wealth Management Services**

These services include the Guidance program detailed below, assistance with implementation of recommendations, estate planning, and asset monitoring services (when requested by the client). Depending on the client needs, these services may include identification of financial problems, cash flow and budget analysis, tax planning, social security planning, risk exposure review, education funding, retirement planning, charitable planning, special needs planning, life insurance and disability insurance planning. These services may also include other areas that are specific to the client. Clients can obtain online access to MoneyGuide so that they can view their financial plan. A hard copy will be provided upon request. This service includes periodic meetings, additional meetings as circumstances dictate them, a periodic update of the financial plan, and a three to four year (or as needed) review of the client's estate plan. If the client has asked CapSouth to monitor assets to which we are not the investment advisor, this will be done as agreed upon by the client and the advisor.

#### **Guidance Program (Financial Planning)**

CapSouth can provide Guidance services independently of systems made available through United Capital's FinLife Partners program or choose to offer Guidance through the FinLife Partners' program depending upon the needs and situation of each individual client. These services are usually structured under an ongoing agreement as opposed to building a point in time plan.

For Guidance offered independently of the FinLife Partners' program, the Guidance program generally addresses retirement planning, education planning, and risk management. The Guidance program is provided through Moneyguide. Clients can receive online access to Moneyguide through which they can view details of their plan. The plan is updated every two to three years, or as needed, as long as the client provides us with updated personal information.

When providing a consolidated financial summary of accounts to Clients, whether using the FinLife Partners' Guidance program or not, data included usually contains information about accounts for which ADVISER does not manage or advise the Client. As such, no inference should be drawn that ADVISER serves as the adviser on all securities listed in these consolidated financial summaries. For Client assets that ADVISER is not contracted to manage, it will not actively supervise those assets.

If CapSouth utilizes the FinLife Partners' systems provided by United Capital in order to provide the Guidance Program to a client, the remainder of the description in this Guidance Program section will generally apply.



ADVISER's Financial Guidance services are generally delivered through the Guidecenter, an online program which provides access to the following tools:

- Money Mind® Analyzer:
- Honest Conversations®
- A net worth summary
- A portfolio snapshot
- Financial goals review and analysis
- Portfolio construction (recommending appropriate investment strategies)
- Asset allocation recommendations
- Consolidated financial summaries

ADVISER offers modular planning services designed to meet individual Clients' specific needs. These services may include one or more of the following:

- Cash flow management
- Investment management recommendations for non-supervised assets (i.e. 401k's and 403b's)
- Retirement planning
- Insurance needs analysis
- Education planning
- Estate planning
- Tax planning
- Divorce planning

Clients may hire ADVISER to provide Financial Guidance services on a one-time basis or continually until canceled. For ongoing services, with the Client's cooperation, ADVISER normally meets with Clients no less than annually to monitor their risk profiles and objectives, updating the financial guidance provided to account for changes. Meetings occur in-person or remotely by telephone or webinar. If Clients choose not to meet with ADVISER, financial guidance will be provided based on information received during prior meetings.

Although ADVISER generally recommends long-term investment strategies, ADVISER will also recommend various short-term investment strategies to accommodate certain Client goals or objectives.

**One Time Guidance Plan (no ongoing review or updates)**

This service is designed to build a point in time plan with no ongoing assistance, planning reviews, or plan updates. This service will include the following as applicable and appropriate to each client's financial situation: financial planning, assistance with the initial implementation of recommendations as accepted by the client, estate planning, and a one-time review of the client's investment assets. Financial planning may include identification of financial problems, cash flow and budget analysis, tax planning, social security analysis, risk exposure review, education funding, retirement planning, charitable goals, special needs planning, life insurance and disability insurance planning. Financial planning may also include other areas that are specific to the client. Online access to MoneyGuide will be provided upon request so the client can view their financial plan. A hard copy will also be provided upon request. The one-time Guidance plan may be created through United Capital's FinLife Partners systems depending on the client's desires and situation. The One Time Guidance Plan can be transitioned to ongoing Wealth Management or Guidance services per the client's request at the completion of the One

Time Guidance Plan. Clients also have the option of engaging in a contract with CapSouth on an hourly basis or as needed for specific issues that the client would like assistance with.

#### **Tax Guidance**

Currently Lewis Robinson, who holds the CPA designation, is the only CapSouth team member permitted to give tax guidance. Should any further CapSouth team member earn the CPA designation, they would also be eligible to offer tax guidance. This service can be included as part of the Wealth Management, Guidance or one time planning programs. Several potential strategies may be created or addressed in Tax Guidance; these may include charitable giving, Roth conversion, income tax reduction of Social Security income, generational wealth transfers, etc. Results are offered as suggestions only, and clients are encouraged to consult their tax professional before taking any action.

#### **4.B.iii - Institutional Consulting Services**

CapSouth provides several advisory services separately or in combination to institutional clients. The primary clients for these services are defined benefit and defined contribution pension retirement plans. Institutional Consulting Services are comprised of several distinct services. Clients can choose from any or all the services offered by CapSouth.

##### *Investment Policy Statement (IPS)*

We will meet with the client to determine the investment goals, objectives, policies, constraints and risk tolerance. We will then prepare a written IPS stating those goals and objectives. The IPS will provide guidance for the selection of investment options and the procedures and timing interval for the monitoring of the selected investment options. The client is responsible for review and final approval of the IPS. No assurance can be given that the client will achieve the investment objectives in the IPS.

For clients with existing pension or profit sharing plans, we will evaluate any existing IPS and current investment options. We will then meet with the client to discuss and revise, as necessary, the plan's investment objectives and to revise the IPS if necessary.

##### *Investment Manager / Mutual Fund Search Report (for non 3(38) clients or non-discretionary clients)*

We will provide an Investment Manager/Mutual Fund Search Report consistent with the mutually agreed upon level of analysis. This report will be designed to provide the client with a list of investment managers whose investment philosophies and policies are, in the judgment of CapSouth Partners, compatible with the client's investment objectives, policies, constraints and risk tolerance, as stated in the IPS. It is the client's decision as to which investment managers to retain, and CapSouth does not assume responsibility for the client's selection of an investment manager or the manager's investment decisions or performance. An investment manager's past performance is not necessarily indicative of future performance.

##### *Ongoing Investment Manager Due Diligence*

CapSouth will perform ongoing monitoring of the investment managers to ensure policy compliance within the established guidelines of the IPS.

#### *Performance Monitoring Reports*

CapSouth will periodically provide Performance Monitoring Reports based on the procedures and timing intervals stated in the IPS. The Performance Monitoring Reports will evaluate the performance of the client's investments over various time periods as well as comparing various aspects of such performance to benchmarks and peer groups, as established in the IPS.

#### *Discretionary Fiduciary Services (ERISA Section 3(38) Investment Manager)*

We can also provide discretionary fiduciary services, acting as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (ERISA), solely with respect to the provision of investment advice as that term is defined under ERISA and will serve as an "investment manager" as defined in Section 3(38) of ERISA. A responsible plan fiduciary ("RPF") (or an authorized delegate of this fiduciary) must first develop an investment policy statement ("IPS"). Once the IPS is established and approved, we can review the investment options available through the plan and will notify the plan's record-keeper (platform provider) providing instructions to add, remove or replace specific "core" investment options to be offered to plan participants in accordance with the IPS guidelines. We can monitor the core investment options and, on a regular basis, provide reports to the RPF and provide instructions to the plan's record-keeper (platform provider) to remove or replace investments as appropriate in light of the IPS criteria.

When we are retained to provide discretionary fiduciary services, we will act as an Investment Manager and we will have the final decision-making authority with respect to removing or replacing investment alternatives in the core lineup, and the RPFs will not have any further responsibility to communicate instructions to any third-party service provider (unless required by a third-party service provider). This authority is limited to the plan's core lineup. Should the client or a plan sponsor request investment options not recommended by CapSouth, these investment options will be considered non-core options.

#### *Employee Education and Communication*

For pension, profit-sharing and 401(k) plan clients where participants exercise control over their own assets, CapSouth can also provide periodic educational support and investment workshops designed for the participants. The nature of the topics to be covered will be agreed upon by the client and CapSouth. The educational support and investment workshops will not provide Plan participants with individualized, tailored investment advice unless the Participant Advice feature detailed directly below is included in the services that CapSouth is contracted by the client to perform.

#### *Asset Allocation Models*

CapSouth can provide investment advice to the client with respect to the establishment and management of asset allocation models. The models shall:

- A. be based on generally accepted investment theories that take into account the historic, long term returns of different asset classes;
- B. assure that all material facts and assumptions on which the models are based accompany the models when presented to participants;
- C. be accompanied by a statement indicating that other investment alternatives having similar risk and return characteristics may be available, dependent upon the other investment options the plan sponsor has chosen to make available within the plan, and identifying where information on those investment alternatives can be obtained; and

- D. be accompanied by a statement indicating that, in applying particular asset allocation models to their individual situations, participants or beneficiaries should consider their other assets, income, and investments in addition to their interests in the plan.

The participants have the option of selecting their own asset allocation and managing the investments themselves or to select one of the asset allocation models. These models are usually comprised of the funds that the participant has access to through the plan. CapSouth will notify the plan provider to make changes to these models without the participant's prior approval. The client (Plan Sponsor) retains, and will exercise, final decision-making authority over the selection and monitoring of the investment options within the plan. Participants may transfer their accounts out of the models per the Plan's administrative guidelines and per any trading restrictions, requirements, or applicable fees. Participants can enroll in this program either at the time of plan enrollment or online after initial plan enrollment. Marshall P. Bolden and Anthony B. McCallister determine the asset allocations and make investment decisions for these models.

*Additional Services for Employee Benefit Plans:*

We can also consult with the plan sponsor in the areas of plan design, administration, and provider due diligence, request for proposals, fee negotiations, enrollment packages, and fiduciary responsibilities. The services to be offered will be determined by the client and will be specifically outlined in the contract.

**4.B.iv - Consulting Services to Individual Clients**

Services may be provided that are not described in other types of agreements including but not limited to special estate planning needs, business management, buy-out negotiations, review of client's benefits package, or life and disability policies only. These special services will be clearly defined in the client's contract.

**4.B.v - Investment Monitoring Program**

The Investment Monitoring Program allows a client to contract with CapSouth to monitor client accounts for which CapSouth is not the investment advisor. Based on the information obtained from the client, including the client's goals, risk tolerance and objectives, CapSouth will review the investments, taking into consideration the information obtained from the client. We will meet with the client at least annually to review the account, allocation of the assets, and to make any necessary changes to the client profile to reflect any changes in the client's circumstance.

Depending on the custodian of the client account(s) for which CapSouth is providing Investment Monitoring Services, CapSouth may have the ability to place trades in accounts in this program. If CapSouth does have trading access, the client has the option to grant CapSouth investment discretion over the account. For accounts for which CapSouth cannot obtain trading access, investment recommendations will be made to the client, but it is the client's responsibility to have any recommendations implemented.

CapSouth generally cannot have direct trading access to the client's account(s) unless the account custodian can provide CapSouth with unique advisor access that allows for both account trading authority and no authority to withdraw funds or transfer funds to third-parties. The client is responsible for providing CapSouth with duplicate statement copies as necessary.

#### **4.C - Tailored Relationships**

Our advisory services or recommendations are tailored to the individual needs of clients. Client goals and objectives are discussed in meetings or through correspondence and are used to determine the recommendations to the client. The goals and objectives for each client are maintained electronically or in hard copy format.

CapSouth will accept limited security restrictions from clients on accounts invested in the CapSouth managed investment strategies, discussed in section 4.B.i (1) above.

CapSouth will accept limited security restrictions (up to 3 ETFs) from clients on accounts that CapSouth manages in the automated investment program (Program) as referenced in section 4.B.i (2) above.

For accounts managed by CapSouth in which a Sub-Manager is utilized, reasonable client security restrictions may be permitted depending upon the investment strategy of the Sub-Manager that is selected by the client and the types of restrictions the client would like.

#### **4.D – Wrap Fee Programs**

A wrap-fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which can include portfolio management and/or advice concerning the selection of other investment advisers) *and* the execution of client transactions. CapSouth does not participate in or sponsor any wrap fee programs. All of our services are provided on a non-wrap fee basis which means fees and expenses for execution of client transactions charged by the client's broker/dealer and/or custodian are billed directly to the client's account separately from our advisory fees.

#### **4.E - Managed Assets**

As of December 31, 2020, CapSouth Partners, Inc. managed approximately:

\$643,616,838 of assets in 1483 accounts and 31 defined contribution plans.

Approximately \$234,993,985 is managed on a discretionary basis.

Approximately \$45,861,085 is managed on a non-discretionary basis.

Approximately \$362,761,767 is in defined contribution plans to which CapSouth provides continuous and regular supervisory services.

#### **4.F – Miscellaneous Items**

##### **FinLife Partners Service Offering**

In an effort to enhance the quality and breadth of services that ADVISER provides to its Clients, ADVISER utilizes a suite of digitally powered technology solutions offered by FinLife Partners, a division of United Capital Financial Advisers, LLC ("FinLife Partners"). FinLife Partners provide access to its technology platform to the ADVISER that includes use of certain technology platform, training relating to use of such technology platform, and if elected by ADVISER certain clerical document and data compilation

services. FinLife Partners is not in any way involved in, or responsible for, the individual investment management or guidance provided to Clients. The ADVISER pays FinLife Partners flat user fees for its technology implementation services. These technology user fees are offset by credits to ADVISER that vary depending upon the amount of assets ADVISER places in investments strategies for which United Capital is a Sub-Manager. As such, for certain services offered, Clients indirectly contribute to the payment of cost of services paid to FinLife Partners. Relating to the cost for services, ADVISER is financially incentivized to refer clients to United Capital, creating a conflict of interest. Financial incentives are described in Item 10.D below.

### **ByAllAccounts**

CapSouth has the ability, through services provided by ByAllAccounts, Inc., to provide reporting services on investment assets that are not managed by CapSouth (“Excluded Assets”). CapSouth does not have trading access to these assets; as such, the client and any other advisor to these assets maintain all responsibility for trading of these assets and for the performance of these assets. CapSouth’s obligation(s) related to Excluded Assets is limited to performance reporting and potentially, if contracted to provide, to investment consulting. Implementation of any recommendations that CapSouth provides to a client related to Excluded Assets is the responsibility of the client or the advisor to the Excluded Assets. The client or their advisor to the Excluded Assets, and not CapSouth, is responsible for any trading errors, timing of trades, and/or any other errors related the trading or lack of trading of Excluded Assets.

### **Client Responsibilities**

CapSouth does not verify the accuracy of information received from clients or from other professionals who work with clients. CapSouth will assume this information is accurate; it is the responsibility of the client to provide accurate information or to notify CapSouth if inaccurate information has been provided to us. Various planning services offered by CapSouth rely on the client providing requested information. The quality of these planning services may be adversely affected should the client not provide requested information, and CapSouth may not be able to complete some planning services should the client fail to provide requested information. In such cases, CapSouth will complete planning services to which we have contractually agreed to the extent possible; CapSouth will not be obligated to refund any portion of planning fees should we not be able to complete all the agreed upon services due to a client’s failure to provide requested information. It is also the responsibility of the client to promptly notify CapSouth of any pertinent changes in their financial situation, goals, and/or investment objectives.

### **Retirement Plan Participants that are also Investment Management Clients & Retirement Plan Rollovers – Conflicts of Interest**

CapSouth Partners can be named as the Investment Advisor on a retirement plan in which a participant is also a private client of CapSouth. This dual relationship creates a conflict of interest if the client expresses interest in moving assets from the retirement plan into an account(s) for which CapSouth would provide Investment Management services.

To mitigate this conflict of interest, CapSouth does not give participant distribution or rollover advice to participants in an ERISA plan. CapSouth will provide education as to the



options a person has upon leaving an employer through which they have an account in an ERISA plan. These options include:

1. Leave their account in the former employer's plan
2. Rollover their account to the new employer's plan
3. Rollover their account to an IRA and/or Roth IRA
4. Cash out the account
5. Some combination of the above options

If a client or potential client elects to use CapSouth as the advisor for a rollover to an IRA or Roth IRA from an account in an ERISA plan, a rollover disclosure form must be signed by the client and the CapSouth investment advisor representative of the client.

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

### **5.A - Description & Standard Fee Schedule**

CapSouth Partners, Inc. bases its fees on a percentage of client assets under management, assets under advisement, or net worth, or may charge flat fees or hourly fees. All fees, except those detailed below in Item 5.A.ii, are negotiable. Investment advisor representatives of CapSouth have the ability to increase or decrease standard fees dependent upon the scope of services a client requests and the level of fees that would be generated from CapSouth's standard fees. Fees among clients will differ depending on the services provided to them and the complexity of their situations. Fees for each service are explained in more detail below.

#### **5.A.i – Investment Management Services Fees (excluding the Automated Investment Program)**

This section applies to the following services described in Item 4:

1. CapSouth managed investment strategies
2. Advisor managed investment strategies
3. Utilization of a sub-advisor ("Sub-Manager") to perform the investment selection, allocation of investments and trading within the account.

The standard fee for investment management is charged as a percentage of assets under management. There is a minimum annual fee of \$1,500 per household. The minimum fee may be waived at the discretion of an investment advisor representative. An increase or decrease can be applied to the fee schedule based on the services a client would like CapSouth to provide and the client's assets under management with CapSouth. The client's exact fee schedule is shown on the client's signed contract. A client may be charged a flat percentage fee or dollar fee, instead of utilizing the fee schedule, if the client and investment advisor representative choose to do so.

- Fees are charged in advance at the beginning of each quarter.
- Fees are based on the account values as of the end of the previous quarter (unless otherwise stated on the contract).
- Fees are prorated based on the number of days in which the account was under management for the quarter.
- Additions and withdrawals of \$20,000 or more will result in a prorated fee adjustment during the quarter of the addition or withdrawal.

- Account Balances are totaled together for clients in the same household to determine the blended fee (see the sample fee calculation below); specific accounts may be excluded from this aggregation if so noted in the contract.
- Some clients may be grandfathered into older fee schedules that CapSouth has used in the past.

**Investment Management Standard Fee Schedule (does not apply to accounts in the Automated Investment Program)**

<b>AUM</b>	<b>Fee</b>
\$0 to \$250,000	1.50%
\$250,001 to \$1,000,000	1.20%
\$1,000,001 to \$2,500,000	1.00%
Over \$2,500,001	0.75%

**Sample Fee Calculation Based on the Investment Management Fee Schedule:**

A typical quarterly fee for a client with two investment management accounts and who is subject to this fee schedule would be calculated as follows:

Acct # 1	Balance as of billing date:	\$350,000
Acct # 2	Balance as of billing date:	\$400,000
Total Assets Under Management (AUM):		\$750,000
Blended Fee Rate		1.30% per year
Quarterly fee		\$2437.50
Annual Fee		\$9750

**5.A.ii – Investment Management Services Fees - Automated Investment Program**

- The standard fee applied to accounts invested in the Automated Investment Program is 0.50%; this fee is not negotiable.
- CapSouth's fees are collected monthly in arrears.
- Fee calculations will be based on the account value at the end of the month
- Fees for the first month a client places an account in the Program will be prorated based upon how many days the account was in the Program.
- Incoming & outgoing cash flows will not result in fee adjustments. Fee will be applied to the month end balance of participating accounts regardless of cash flows.

**5.A.iii – Financial Planning Services Fees**

**Wealth Management Services**

The fee for this service can be a flat fee or be based on a percentage of the client's total assets or net worth. The fees are adjusted based on the complexity of each case. Initial fees are determined at the beginning of the relationship and are stated in the signed client contract. If a client has assets under management with CapSouth there will be a discount applied to the cost of this service. If the fee is based on the client's net worth or assets the fee may be determined annually or quarterly depending on the types of assets that need to be valued. The fee is billed to the client quarterly in advance.



At the advisor's discretion and depending on the complexity of the client needs, the fees for this service may be included in the services CapSouth offers under its Investment Management Fee schedule (detailed in section 5.A.i above) if the client has at least \$1 million of assets under management with CapSouth. In such a case, whether or not the Wealth Management Services fee will be covered by fees collected through Investment Management fees will be determined by the scope of the work CapSouth is to perform and the total fees the client pays under the Investment Management fee schedule. The fee arrangement will be detailed in the advisory agreement with CapSouth that the client signs. If a client is on a grandfathered Investment Management fee schedule or has assets under management with CapSouth of under \$1 million, a separate Wealth Management fee will normally apply and will be detailed in the Wealth Management agreement or Financial Guidance agreement the client signs.

A typical Wealth Management Fee ranges from \$2,500 to \$10,000 per year.

### **Guidance Program**

The Guidance Program can be priced in multiple ways depending on various factors and the client's specific situation. Guidance costs are generally based upon analysis of the Client's financial goals & needs and case complexity. A Client's specific pricing is described in the agreement(s) the client and CapSouth executes.

The costs assessed are based on a number of criteria, which may include, but are not limited to:

- Investable assets / assets subject to the agreement,
- Client net worth,
- Case complexity,
- Services provided / Client needs,
- The amount of time spent and/or anticipated to be spent with the Client,
- Preparation work prior to engagement, and/or
- Customization and whether or not services were requested on an expedited basis.

Costs may be charged in a number of ways depending on the specific services being rendered and the client's specific situation, including:

- A flat fee
- A percentage of the client's assets under advisement, net worth or assets under management

Cost of Services will normally be calculated and billed in advance at the beginning of each quarter. Fees may be billed or deducted from an account under CapSouth management. Rates vary depending on the agreed upon services.

Any client may choose to utilize the Guidance Program regardless of their Assets Under Management (AUM) with CapSouth or the fee amount CapSouth receives from managing the client's assets. If a client becomes eligible for the Guidance Program at no additional cost above the fees generated by the Investment Management Fee Schedule detailed in section 5.A.i above, we will normally discuss the program with the client. The client can determine if they would like to participate in the Guidance program or not. The decision to not participate may not decrease the fees that the client pays.

### *Cost of Services*

- i. If fees generated through the CapSouth Guidance & Investment Services Agreement (“Client Agreement”) exceed \$4500 the ADVISER will prepare and provide client with a formal Guidance plan at no additional charge above those generated from the Investment Management Fee Schedule shown in section 5.A.i.
- ii. If the fees generated through the Investment Management Fee Schedule shown in section 5.A.i are less than \$4500, a fee increase, that will be detailed in the Client Agreement, may be applied to the Investment Management Fee Schedule or a separate contract may be required in order to provide Guidance Planning.
- iii. If the Client hires CapSouth for Guidance Planning only (client has no assets managed by CapSouth), the guidance costs shall be detailed in a separate contract with the Client. The minimum Guidance Planning Fee in such cases is typically \$2000.
- iv. CapSouth does not maintain a standard fee schedule or flat dollar fee for Guidance services. Fees are negotiable dependent upon the scope of services desired by the client and fees generated by client assets that are managed and billed by CapSouth.

To pay for Guidance services, Clients may choose to be invoiced or to provide ADVISER with written authorization to deduct the fees from an investment account of the Client.

Guidance services are typically provided on an ongoing basis as described in the CapSouth Portfolio Services & Planning Agreement or a separate agreement unless otherwise designated as a One Time Guidance Plan.

### **One Time Guidance Plan**

The fee for a One Time Guidance Plan is charged based on a flat fee, hourly fee, or the Assets Under Management or the Assets Under Advisement a client has with CapSouth. The fee will be adjusted based on the complexity of each case. The fee is determined at the beginning of the relationship and stated in the signed contract. The terms of payment are also specified in the client contract. Hourly clients are billed monthly or quarterly in arrears at the beginning of each month or quarter. For hourly clients, estimates are provided and a deposit is requested. Estimates for hourly work are not guaranteed.

A typical One Time Guidance Plan fee ranges \$1,500 to \$4,000.

Sample hourly rates:

Wealth Advisors and Executive Officers	up to \$400/hr
Relationship Managers & Other Administrative Staff	up to \$150/hr

### **5.A.iv – Fees for Consulting Services to Individual Clients**

Consulting fees will be based on an hourly charge ranging up to \$400 per hour or a flat fee. The fee will depend on the nature and complexity of the client's consulting needs. All fees are agreed upon prior to entering into a contract. CapSouth has a minimum consulting fee of \$1,500. The minimum fee may be waived at the discretion of a CapSouth investment advisor representative. For clients paying a flat fee, all of the fee or a portion of the fee may be invoiced in advance; amounts not invoiced in advance will be invoiced at time periods and amounts specified in the consulting agreement. The client will be invoiced in arrears on a monthly or quarterly basis for hourly fees. An upfront deposit on hourly fee contracts may be requested. All terms of payment are specified in the consulting contract.

Sample hourly rates:	
Wealth Advisors and Executive Officers	up to \$400/hr
Relationship Managers & Other Administrative Staff	up to \$150/hr

## **5.A.v – Fees for Institutional Consulting Services**

CapSouth is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act. Our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid prohibited transactions, we may only charge fees for investment advice about products for which our firm and/or related persons do not receive any commissions or 12b-1 fees.

### **Standard Institutional Consulting Services Fees**

The fee for Institutional Consulting Services will be an asset based fee expressed as a percentage of plan assets or a flat annual fee. The fee will be based on the services requested, plan size, plan demographics, and investment complexity. Typically, a minimum annual fee of \$5,000 applies. Plan sponsors will normally be invoiced in advance at the beginning of each quarter based upon the value of the plan at the end of the previous quarter or the agreed upon flat fee; certain recordkeepers may require CapSouth to bill in arrears. Plan sponsors may elect to have the fee taken out of the assets of the plan by the record keeper or to have the fee paid by the plan sponsor. These fees are negotiable.

For clients whose fees are assessed as a percentage of assets the current fee schedule used by CapSouth for Institutional Consulting Services is:

<b>Asset Level:</b>	<b>Fee:</b>
\$0 - \$999,999	1.0%
\$1,000,000 to \$1,999,999	0.35%
\$2,000,000 to \$4,999,999	0.25%
\$5,000,000 to \$9,999,999	0.10%
\$10,000,000 to \$19,999,999	0.05%
Above \$20,000,000	0.02%

Certain services offered to plan sponsors may result in an additional fee depending upon the scope of the services to be provided; any such fees can be paid from plan assets or directly by the plan sponsor. Services that may have additional fees include:

### **Participant Education Meeting Fees**

Additional fees may apply for CapSouth to conduct such meetings, the fee typically starts at \$500 per day plus any expenses related to providing the education meeting(s); associated expenses include such items as travel, lodging, and dining expenses. Any fees for participant education meetings that are in addition to CapSouth's consulting fee will be detailed in the consulting contract. These fees can be paid from plan assets or directly by the plan sponsor.

### **Asset Allocation Models**

The fee for the Asset Allocation Models service will be paid under one of following fee arrangements. If paid at the plan level, the fee will be a percentage fee per year, not to exceed .15% per year of the fair market value of the assets of the retirement plan. If paid at the participant level, the fee will be a percentage fee per year of the fair market value of the individual's account that elects to use the service. The participant level fees range from

.01% - .60% per year. This fee is charged in advance and may be paid by direct invoice or it may be deducted from the plan assets.

#### **5.A.vi - Investment Monitoring Program Fees**

The fee for the Investment Monitoring Program is calculated as a percentage of assets being monitored or a flat annual fee. This percentage fee may be up to 1.5%. The fee will depend on the nature and complexity of the client's circumstances. The fee will be agreed upon in advance of services being rendered. Clients will be invoiced quarterly in advance or the fee may be deducted from an account specified in their investment monitoring contract. The percentage fee will be based on the value of the account at the end of the previous quarter.

### **5.B – Client Payment of Fees**

#### **Investment Management Fees (does not apply to fees related to the CapSouth Automated Investment Program)**

Clients may choose to have fees deducted from a designated brokerage account. The client must approve in writing the direct debiting of their investment account. Clients may also choose to be invoiced directly. All fees are charged quarterly in advance.

#### **Automated Investment Program Fees**

All fees for this program are deducted from the client's account. Client must approve this by electronically signing our client agreement prior to CapSouth beginning management of an account. Fees are billed monthly in arrears.

#### **Financial Planning Services Fees**

Any fees for planning services that are in addition to the fees a client pays for Investment Management Services are detailed in an agreement signed by the client. Flat rate annual fees and fees based upon AUM, AUA or net worth are invoiced quarterly in advance. Hourly fees are charged either monthly or quarterly, per the client planning contract, in arrears; an estimated fee may be charged in advance.

#### **Institutional Consulting Fees**

For Institutional clients CapSouth normally invoices the plan sponsor in advance at the beginning of each quarter. Certain recordkeepers require CapSouth to bill in arrears and primarily and/or on a monthly basis. Plan sponsors may elect to have the fee taken out of the assets of the plan by the record keeper, or the plan sponsor may pay the fee themselves. To have fees deducted from the plan it must be approved in writing by the client and a copy of the invoice will be sent to the Plan Sponsor and to the record keeper.

#### **Individual Consulting Fees**

Flat rate annual fees and fees based upon AUM, AUA or net worth are invoiced quarterly in advance. Hourly fees are charged either monthly or quarterly, per the client planning contract, in arrears; an estimated fee may be charged in advance.

### **5.C – Other Fees Paid by Clients**

#### **Sub-Manager Fees**

When ADVISER refers Client assets to a Sub-Manager, the Client is assessed an additional cost. The Sub-Manager fees will be paid directly from the client account. The fee is based

on a percent of the Client's assets and typically ranges from 0.10% to 0.75%, depending on the manager and services provided. Sub-Managers also impose minimum investment requirements. The minimum amounts vary. In addition to Sub-Manager costs, the investment vehicles that Client assets are invested in may have their own associated cost. For instance, costs are charged to shareholders of mutual funds and exchange traded funds by the fund manager and deducted directly from the net asset value of the investment vehicle.

#### **Mutual Fund Fees, Exchange Traded Fund (ETF) Fees, and Similar Investment Vehicle Fees**

Investment advisory services are separate and distinct from fees and expenses charged by mutual funds, ETFs, ETNs, closed end funds and other similar investment vehicles. The fees charged to the client for these types of investment vehicles are described in the prospectus or similar documents. Fees will generally include management fees, other fund expenses and may include distribution fees. We encourage our clients to review any prospectus or similar document carefully. Clients can invest in certain funds directly, without the service of CapSouth.

#### **Custodial & Trading Fees**

Custodians generally charge transaction fees on purchases or sales of mutual funds, stocks, bonds, exchange traded funds and notes, and options. In some cases, custodians also charge an annual custody fee. Fees for trading & custody are disclosed to the clients prior to the client opening an account with a custodian. Please see the Item 12 below for more information.

#### **Automated Investment Program**

Clients do not pay fees to Schwab Performance Technologies ("SPT") or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

#### **Trust Administration**

National Advisors Trust Company (NATC) charges clients trust administration fees on trusts for which they are acting as the sole corporate trustee or as a co-trustee.

### **5.D – Prepayment of Fees**

#### **Investment Management Fees (does not apply to fees related to the CapSouth Automated Investment Program)**

If the advisory contract is terminated during a quarter, the client will receive a pro-rated refund for the fee paid during the quarter the contract was terminated. Clients should terminate their contract in writing. The refund will be normally be received as a credit to

the client's account or, if the account has been closed, the client will receive a reimbursement check.

**Automated Investment Program**

Not applicable as fees are paid in arrears.

**Financial Planning Services Fees**

For clients paying these fees in advance, if the planning contract is terminated during a quarter, the client will receive a pro-rated refund for the fee paid during the quarter the contract was terminated. Clients should terminate their contract in writing. The refund will be received as a reimbursement check.

Clients who pay hourly planning fees may be entitled to a refund if they prepay an estimated cost. This would occur when the total fee for hours actually worked in association with the planning engagement is less than the prepaid estimated cost. In such cases, the refunded amount would equal the prepaid amount less the fees for actual hours worked. The refund will be received as a reimbursement check.

**Institutional Consulting Fees**

If the consulting contract is terminated during a quarter and fees were paid in advance, the client will receive a pro-rated refund for the fee paid during the quarter the contract was terminated. Clients should terminate their contract in writing. If the plan sponsor pays our fees, the refund will be received as a reimbursement check to the plan sponsor. If our fees are paid from plan assets, we will work with the recordkeeper to reimburse the plan.

**Individual Consulting Fees**

If the consulting contract is terminated during a quarter, the client will receive a pro-rated refund for the fee paid during the quarter the contract was terminated. Clients should terminate their contract in writing. The refund will be received as a reimbursement check.

Clients who pay hourly consulting fees may be entitled to a refund if they prepay an estimated cost. This would occur when the total fee for hours actually worked in association with the consulting engagement is less than the prepaid estimated cost. In such cases, the refunded amount would equal the prepaid amount less the fees for actual hours worked. The refund will be received as a reimbursement check.

## **5.E – Compensation for Product Sales**

CapSouth employees receive no compensation, fees, commissions or similar benefits from the sale of mutual funds to individual clients or from mutual funds being placed as an investment option in a corporate retirement plan.

Some employees of CapSouth are licensed insurance agents and can recommend that a client purchase an insurance or annuity product. Clients are under no obligation to purchase these products through CapSouth employees. If a client does decide to purchase an insurance or annuity product recommended by a CapSouth employee, the client should be aware that the employee and the firm may receive additional compensation in the form of commissions. It is our goal at all times to put the interest of the client first; however, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and can affect the judgment of these individuals when making recommendations.

CapSouth utilizes insurance and annuity disclosure forms that present product information and disclose the conflict of interest inherent in the client purchase of such products through CapSouth. An advisor will review this form with the client and have the client sign the form prior to the placement of an insurance or annuity product.

Clients always have the option to purchase insurance & annuity products that we recommend through other brokers or agents that are not affiliated with CapSouth. Sometimes these products may be purchased at a lower cost than they would be through CapSouth.

## **Item 6 - Performance Based Fees**

CapSouth does not charge or participate in any type of performance based fees.

## **Item 7 - Types of Investment Advice Clients**

CapSouth generally provides investment advice to individuals, trusts, corporations (both for profit and non-profit), and pension plans.

A minimum of \$100,000 is generally required for an individual, trust or corporation to open a relationship with CapSouth; the exception to this would be clients utilizing our Automated Investment Program which has a \$5000 minimum account size. These minimums are negotiable at an advisor's discretion. Should a client fall below these minimum levels, CapSouth may opt to resign as the advisor.

CapSouth has no minimum size limits for corporate retirement plans.

## **Item 8 - Methods of Analysis, Inv. Strategies and Risk of Loss**

### **8.A - Methods of Analysis**

In evaluating equities, we primarily use fundamental analysis. The main sources of our information are Ycharts, company websites, and financial websites. We primarily take a long term approach to investing and maintain diversified accounts and investment strategies.

Mutual funds and ETFs (exchange traded funds) are selected by screening for funds that meet certain criteria. We look at manager tenure, past performance, risk levels, expenses, investment philosophy, etc. The main sources of our information are Ycharts, Fi360, and fund company websites.

CapSouth may also recommend the use of a Sub-Manager for client accounts. Sub-Manager strategies are evaluated based upon manager tenure, past performance, risk levels, expenses, investment philosophy, etc. The main source of information regarding the strategies of Sub-Managers is normally information provided by the Sub-Manager. CapSouth will not, in most cases, be able to verify the accuracy of such information.



Our investment analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Risk of Loss**

All investment programs have certain risks. CapSouth manages portfolios with a goal of obtaining an appropriate rate of return for the amount of risk taken. The following risks, and others, may be associated with the investments and strategies we utilize: loss of principal, interest rate risk, market risk, inflation risk, currency risk, reinvestment risk, liquidity risk, credit risk, counterparty risk, financial risk and emerging markets risks including, but not limited to, political risk, less developed and/or efficient trading markets, differing accounting and legal standards, etc.

Securities investments are not guaranteed, and client investments may lose value.

## **8.B - Investment Strategies**

We have four Active Portfolios that primarily utilize investments that seek to outperform a given index over time. All four portfolios use the same or similar mutual funds and/or ETFs, but each one has a unique asset allocation or mix of investments. Each portfolio has a designated risk level and a target return. The asset allocations will change periodically based on our evaluation of market and economic conditions.

Other investment strategies are available through the use of Sub-Managers. These include but are not limited to strategies designed with a primary focus of reducing taxes, reducing investment costs, reducing volatility, or outperforming an appropriate index.

## **8.C – Primary Security Types Utilized by CapSouth**

CapSouth primarily utilizes mutual funds, exchange traded funds (ETFs), equities, cash and cash equivalents in the investment management of client assets. CapSouth occasionally utilizes options and private equity funds in the investment management of client assets.

The mutual funds that we use are almost entirely diversified funds or funds that hold many different stocks and/or bonds. However, most funds we utilize tend to focus on a particular area of the market (Ex – US large cap growth, mortgage backed bonds, emerging market stocks, etc.); this leads to risks that the given area or sector of the market may underperform the broader stock or bond market. Many of the funds we utilize are considered active funds, or funds that seek to outperform a given index. These type funds tend to have higher expenses and be less tax efficient. There is also no guarantee these type funds can outperform the index, and there is the possibility they may lag an appropriate index, sometimes by a significant amount. These type funds often rely heavily on the expertise of the management team or single manager in seeking to meet their objectives; changes in the management of these funds could adversely affect these funds.

ETFs that are thinly traded or have a low average trading volume have additional potential risks in that they may have high price spreads so that frequent trading could have a significant impact on returns.



## **Item 9 - Disciplinary Information**

### **9.A – Criminal or Civil Actions**

CapSouth has no items to report.

### **9.B – SEC or Regulatory Agency Proceedings**

CapSouth has no items to report.

### **9.C – Self-Regulatory Organization (SRO) Proceedings**

CapSouth has no items to report.

## **Item 10 - Other Financial Industry Activities & Affiliations**

### **10.A – Broker Dealer or Register Representative Registrations**

CapSouth is not registered as a broker-dealer nor has any application pending to register as one. No CapSouth employees are registered as broker-dealer representatives, and no employees have pending applications to register as one.

### **10.B – Futures and/or Commodities Registration**

Neither CapSouth nor any of its employees are registered as a futures commission merchant, a commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities. There are no pending registration applications that would change this.

### **10.C – Relationships Material to Advisory Business**

Some related persons of CapSouth are also insurance agents for insurance companies. In this capacity individuals can receive revenue from the sale of fixed insurance and annuity products. These related persons can sell insurance products to CapSouth clients and non-clients. It is our goal at all times to put the interest of the client first; however, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and can affect the judgment of these individuals when making recommendations.

Clients are under no obligation to purchase these products through CapSouth employees. CapSouth discloses this conflict of interest to clients. See Item 5.E above for more information.

### **10.D – Recommendation of Other Investment Advisors or Other Types of Professionals and Associated Conflicts of Interest**

CapSouth may at times recommend clients use certain legal or tax professionals based on the client's needs, however we do not receive any separate compensation for these referrals and have no agreement in place with any such professional by which they provide referrals back to CapSouth.

### **Trust Services – National Advisors Trust Company**

National Advisors Trust Company (“NATC”), a national trust company, supports the fiduciary needs of clients who, through their estate planning efforts, prefer to continue to maintain their relationship with their financial advisory firm. NATC is a wholly owned subsidiary of National Advisors Holdings, Inc. (“NAH”). The mission of NATC is to support the delivery of trust and custody services to clients of the advisory firms it works with.

CapSouth is approved as a Trust Representative Office (“TRO”) of National Advisors Trust Company of Kansas City, Missouri. As a TRO office, representatives of CapSouth are permitted to hold client meetings, offer educational seminars, provide informational brochures, fee schedules and other pre-approved marketing materials CapSouth access to trust, employee benefit, and other fiduciary services offered by National Advisors Trust Company.

CapSouth is authorized to use its designation as a TRO office of National Advisors Trust Company on signage, business cards, and other marketing material promoting the investment advisory services offered by XYZ Advisors. Any promotional materials or advertising must clearly specify that trustee and custodial services are provided by National Advisors Trust Company, Kansas City, Missouri.

CapSouth primarily utilized National Advisors Trust for the trust administration services they provide to clients. National Advisors Trust charges clients fees for such services. National Advisors Trust does not share trust administration fees from client accounts, provide referral compensation, or pay revenue of any kind to CapSouth, its principal officers, and employees for its services as a Trust Representative Office. CapSouth may receive fees for investment advisory services provided to a trust.

CapSouth usually recommends NATC to its advisory clients seeking trust services. The grantor in a trust agreement would name CapSouth as the investment manager with discretion to manage the trust estate, and the agreement would also provide that NATC discharge the administrative, distribution, and, potentially, the custodial responsibilities of the trust.

CapSouth’s primary owner, Donald Bolden, has the right to purchase a small (less than 1%) ownership stake in NAH; over 120 other advisory firms or their owners, located around the U.S., also own equity interests in NAH. Donald Bolden, as a potential owner, may benefit by realizing future profits in the form of dividends or corporate distributions from NAH, in addition to any investment advisory fees paid under the trust agreement.

CapSouth is incentivized to utilize NATC to provide services to CapSouth clients. If NATC collects fees in excess of a set threshold, the annual fee CapSouth pays NATC for the utilization of their platform will be waived. To address this conflict, if a client does not want to utilize NATC for trust administration services or other services provided by NATC, the client may discuss alternative options with CapSouth.

### **United Capital FinLife Partners Program**

ADVISER has a financial incentive to refer Clients to United Capital rather than manage the assets on its own or refer them to another adviser, creating a conflict of interest. When

ADVISED refers clients to United Capital for Sub-Manager services it receives various incentives, including:

- Certain technology fees incurred by ADVISED in connection with ADVISED's use of FinLife Partners' technology solutions will be waived if a predetermined amount of client assets managed by ADVISED are placed in investment strategies for which United Capital provides Sub-Manager services.
- If ADVISED does not utilize predetermined threshold volume of Sub-Manager services or technology solutions offered by United Capital or FinLife Partners, as applicable, then the relationship with FinLife Partners may be terminated due to insufficient revenue generation.

To address this conflict, if the Client does not want to invest their assets with United Capital as the Sub-Manager or receive ADVISED's financial guidance services that require access to the FinLife platform, the Client may discuss alternative options with ADVISED.

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

### **11.A - Code of Ethics**

CapSouth has a Code of Ethics in place. This Code of Ethics is reviewed on an annual basis for any necessary revisions and signed and acknowledged by supervised persons on an annual basis. Our Code of Ethics outlines the established rules of conduct for all CapSouth supervised persons. It is designed to govern personal securities trading for supervised persons, the acceptance and delivery of gifts and entertainment from or to clients and prospects, the protection of client information, and our fiduciary duty to our clients among other things. Clients may request a copy of our Code of Ethics by emailing Marshall Bolden at [mbolden@capsouthpartners.com](mailto:mbolden@capsouthpartners.com) or by calling 334-673-8600.

### **11. B – Investment Recommendations Involving Securities in which CapSouth or its Employees have a Material Financial Interest**

CapSouth does not engage in principal trading, does not act as a general partner in any partnership in which it solicits client participation, and does not act as an investment advisor to any investment company. CapSouth does not recommend securities to clients in which it has a proprietary or ownership interest.

### **11. C - Participation or Interest in Securities Held by Clients**

Supervised persons of CapSouth may buy or sell securities that are also held by clients or recommend to clients. This creates a potential conflict of interest in that a supervised person could purchase the same security as the client at a similar time or could trade ahead of a client (front run a client). See 11.D directly below for more information as to how CapSouth attempts to prevent this from occurring.

## **11. D – Employee Trading in Securities Traded by Clients or Recommended to Clients**

Supervised persons may not enter trades for a security in their own personal account before entering trades for the same security in client accounts. Supervised person's trades, unless preapproved by the compliance department, should be placed after 2:30pm Central Time, or within 30 minutes of the closing of securities markets, to minimize the risk of accidentally frontrunning a client trade. Marshall Bolden (Chief Compliance Officer) reviews all trades with special attention being paid to the trades of supervised persons and members of their household. Marshall's personal trades are reviewed by Donald Bolden to ensure compliance with our Code of Ethics.

If a supervised person has a financial interest in a security or the issuer of a security recommended to a client, this interest must be disclosed to the client per our Code of Ethics.

## **Item 12 - Brokerage Practices**

### **12.A - Selecting Broker-Dealers/Custodians**

CapSouth does not serve as the custodian of client assets that we manage although we may be deemed to have custody of client assets if a client give us authority to withdraw our fee from their account (see Custody, below). Client assets must be maintained in an account at a "qualified custodian", generally a broker dealer or bank. In order for CapSouth to directly transact business on behalf of our clients, accounts must be held at Charles Schwab & Co., Inc., TD Ameritrade, Inc., or National Advisors Trust Company (NATC). All are a registered broker dealer & custodian.

We are independently owned and operated and are not affiliated with Charles Schwab, TD Ameritrade or NATC in any way. The custodian will hold client assets in a brokerage account and buy and sell securities when we or the client instruct them to. Clients can determine if they prefer to use Charles Schwab, TD Ameritrade, or NATC for custody services, unless they utilize the Automated Investment Program. Client will open an account by entering into an account agreement with the custodian. We do not open accounts for clients, although we will assist clients in doing so. If a client does not wish to custody an account with Charles Schwab, TD Ameritrade or NATC then CapSouth likely will not be able to directly manage the account.

Client accounts enrolled in the Automated Investment Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

When selecting custodians/broker dealers to recommend to clients we consider a wide range of factors, including among others:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Availability of investment products (stocks, bonds, mutual funds, exchange traded funds, etc.)
- Quality of services
- Competitiveness of the prices of services and the willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our customers

### **12.A.i - Soft Dollars**

CapSouth endeavors to act in each of its client's best interest. However, CapSouth's requirement that clients maintain assets in accounts at Charles Schwab, TD Ameritrade or NATC may be based in part on the benefit to CapSouth of the availability of products and services provided by the custodian to CapSouth and not solely on the nature, cost or quality of custody and brokerage services provided, which may create a potential conflict of interest.

#### **Charles Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Automated Investment Program ("Program") and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but do not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or

some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology and business consulting;
- consulting on legal and related compliance needs;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, we do not pay SPT fees for the Platform so long as we maintain client assets in accounts at CS&Co. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

#### **TD Ameritrade**

CapSouth Partners, Inc. is not a party to any formal soft dollar arrangements with TD Ameritrade. CapSouth does receive certain products and services from TD Ameritrade free of charge.

#### Services That May Directly Benefit You

TD Ameritrade provides CapSouth with access to their institutional trading and custody services. They also provide us access to some investments that may not be available through their retail division or could possibly have a higher transaction fee if traded through the retail division. The availability of these services and products is not contingent upon CapSouth having any specific amount of assets in custody or any volume or frequency of trading.

#### Services That May Not Directly Benefit You

TD Ameritrade also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts.

- Software and other technology that provide access to client account data
- Access to electronic order entry, including the simultaneous entry of trades for multiple accounts
- Pricing information
- The receipt of duplicate trade confirmations, statements, and tax forms
- Direct advisory fee debiting capabilities
- Access to market and industry research
- Assistance with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us

TD Ameritrade also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

TD Ameritrade may provide some of these services itself; in other cases, it will arrange for third-party vendors to provide the services to us. They may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CapSouth does not utilize all of these benefits; however, they are available.

#### **National Advisors Trust Company (NATC)**

CapSouth Partners, Inc. is not a party to any formal soft dollar arrangements with NATC. CapSouth currently pays fees to NATC to utilize their platform.

### **12.A.ii - Brokerage for Client Referrals**

Neither CapSouth nor any related person of CapSouth receives referrals from a broker-dealer or third party.

### **12.A.iii - Directed Brokerage**

CapSouth does not offer directed brokerage. Clients have the option to determine if they would like their accounts held with Charles Schwab, TD Ameritrade or NATC. We will provide the client with information on the custodian/broker dealer however the client has the final decision on where to maintain their account. If a client would like to have their trades executed through another broker we will generally not be able to directly manage the account (enter trades, make requests on your behalf, etc).

## **12.B – Trade Aggregation**

CapSouth does not consider aggregating trades in its normal day to day activities due to the low volume of trades that we enter most days. However, when we are rebalancing or



changing the allocations of any of our investment strategies in which multiple accounts are invested, we do consider aggregating trades. For securities that are not thinly traded or that have higher average trading volumes, the size of the trades we enter usually has little to no market impact. Aggregation is generally not used for trades in such securities. This has the potential result of clients receiving execution prices that are slightly different. For securities that are thinly traded, or have a low average trading volume, we may aggregate trades in an attempt to receive a better execution price and so that each client receives the same execution price.

## **Item 13 - Review of Accounts**

### **13.A - Periodic Reviews**

- (1) Account Review Meetings: the frequency of this type of review is determined on a client by client basis. Based upon the client preferences and situation we will target quarterly, semi-annual or annual review meetings. The frequency of meetings is not contractual. These meetings usually cover topics that include: changes to the client's financial situation, goal changes, Guidance plan status, performance reviews, investment reviews and recommendations, cash flow monitoring, risk tolerance, market discussion, etc. For Guidance and Wealth Management clients at least one meeting every two to three years will be used to update their Guidance or Wealth Management Plan.
- (2) Discretionary Account Reviews: accounts that are in the CapSouth discretionary investment strategies are reviewed on at least an annual basis in order to ensure that the accounts are within the guidelines of the Investment Policy Statements. These reviews are conducted separately from a review meeting with a client.

Account Reviews, Guidance Reviews and Wealth Management reviews are performed by a Wealth Advisor or Wealth Manager of CapSouth. Discretionary Account Reviews are conducted by Marshall Bolden or the investment advisor representative for accounts in investment strategies managed by CapSouth.

### **13.B - Review Triggers**

Account reviews may be performed outside of the standard procedures when a client's investment objectives or life circumstances change, when a client requests a review, and, in the case of discretionary accounts, when the target asset allocation of the underlying portfolio is changed.

### **13.C - Regular Reports**

Performance reports on all billed accounts are prepared on a quarterly basis. At a minimum the reports contain performance information for the quarter and year to date, and market values.

Wealth Management clients will usually receive a report related to their Wealth Management Plan every two to three years. This report will normally contain an update of their assets and liabilities, stated goals, various scenarios summarizing the results of their plan and any recommended changes. This report is available as a hard copy or online through the planning program MoneyGuidePro (if the report is generated through MoneyGuidePro). The ability to provide these reports is dependent upon the client



providing us the information necessary to produce the report. As such, some reports may not contain all the information normally presented in these reports if we have been unable to obtain all pertinent information.

Guidance clients will usually receive a report that updates their Guidance Plan every two to three years or more often depending on the client's situation. This report will normally contain an update of their assets and liabilities, their retirement and education goals, and various scenarios summarizing the results of their plan and any recommended changes. This report is available as a hard copy and generally online through the planning program MoneyGuidePro. The ability to provide these reports is dependent upon the client providing us the information necessary to produce the report. As such, some reports may not contain all the information normally presented in these reports if we have been unable to obtain all pertinent information.

Custodians of client accounts provide regular account statements directly to the client on a monthly to quarterly basis. The custodian's periodic statements are considered the official record of account holdings and values, and they supersede any statement or report that CapSouth provides to the client.

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

### **14.A – Benefits Provided to CapSouth from External Sources and Related Conflicts of Interest**

As detailed in Item 12.A.i above, our custodians make products and services available to us that may not benefit the client in exchange for our use of their custody and brokerage services for client accounts. Examples include:

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting
- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

Clients should be aware that the receipt of these benefits creates a conflict of interest; CapSouth would not receive these benefits or would have to pay for them if we did not place client assets with our custodians. Clients can direct CapSouth to custody their account(s) at any custodian we currently utilize. If, due to this conflict of interest or for any other reason, a client or potential client requests to utilize a custodian we do not have a custodial relationship with and still have CapSouth provide planning and/or investment services, we will consider such requests, but acceptance will be at our sole discretion.

## **14.B - Incoming Referrals**

CapSouth is pleased to accept referrals from clients, attorneys, accountants, friends or other sources; except as disclosed below, we do not pay for these referrals.

The CapSouth marketing director will receive a flat dollar bonus for new clients that are deemed by management to have been obtained as a result of specific marketing campaigns.

### **SmartAsset Advisors LLC (“SmartAsset”)**

CapSouth has entered into a written agreement with SmartAsset, a registered investment adviser, through which CapSouth has agreed to pay SmartAsset a fee for each lead or prospect that SmartAsset introduces to CapSouth. CapSouth is not otherwise affiliated with SmartAsset. This fee is borne by CapSouth and does not affect or increase the fees that CapSouth charges its clients.

## **14.C - Referrals to Other Professionals**

CapSouth does not accept any referral fees from other professionals when we refer a prospect or a client to them.

## **Item 15 - Custody**

For accounts held with Charles Schwab, TD Ameritrade and National Advisors Trust Company, under government regulations, we are deemed to have custody of your assets, because you authorize us to instruct the custodian to deduct our advisory fees directly from your account. Charles Schwab, TD Ameritrade or National Advisors Trust Company will maintain actual custody of your assets.

We will prepare quarterly performance reports for billed accounts for which we provide investment management services, and we will prepare period reports for planning clients that relate to their Guidance or estate plan, net worth, assets & liabilities, etc. We urge you to compare these reports that CapSouth provides with the periodic account statements that you receive from your qualified custodian.

Reports related to our planning services may contain bank account balances, liability information, real estate values and other financial data. This information is obtained from the client or through a direct link that the client has established between their institution and Envestnet or MoneyguidePro. Some of these assets may be hard to value, and we will rely on the client to confirm this information. This type of information is used in long range planning for the client. Clients are urged to confirm this information periodically. CapSouth does not accept client login credentials to obtain any such information.

## **Item 16 - Investment Discretion**

### **Discretionary Authority for Trading**

CapSouth accepts discretionary authority to manage securities on the behalf of clients. We use discretion in determining the securities to be bought and sold, the quantity to be bought and sold, and the timing of the transactions. Discretion means we can act on your behalf without your approval for each transaction. If discretionary authority has not been given to us by the client we will obtain the client’s approval prior to each transaction. Discretionary

trading allows us to efficiently process trades in client accounts once changes in portfolios have been approved. Clients receive confirmations of all trades and may call to discuss the transactions with us at any time.

### **Discretionary Authorization**

In order for CapSouth to have discretionary authority over a client's account the client must sign an agreement giving CapSouth this authority. This agreement must be then approved by an Investment Advisor Representative. Each custodian also requires a client signature giving the Advisor trading authorization over their account. This is usually done at the time the account is opened using account applications.

## **Item 17 - Voting Client Securities**

CapSouth does not accept the authority to vote proxies on behalf of its clients. Clients will receive proxies or other solicitations directly from the custodian or transfer agent, not from CapSouth. If a client has a specific question relating to voting on securities and would like to discuss it with an Investment Advisor Representative, they may do so.

## **Item 18 - Financial Information**

### **18.A – Balance Sheet**

Since we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance, a balance sheet is not required to be provided.

### **18.B - Financial Condition Likely to Impair CapSouth's Ability to Meet Client Commitments**

CapSouth does not have any financial condition that is reasonably likely to preclude us from meeting our contractual commitments to our clients.

### **18.C – Bankruptcy Petitions in Last 10 Years**

CapSouth has no items to report.