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## FORM ADV PART 2A: FIRM DISCLOSURE BROCHURE

Capes Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Capes Capital Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 757-622-8514 or [info@monroecp.com](mailto:info@monroecp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Capes Capital Management, Inc. also 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. Our firm's CRD number is 114639.

## **ITEM 2 MATERIAL CHANGES**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure is our new disclosure document prepared according to the SEC's new requirements and rules. As a state-registered investment adviser, our firm is required to comply with the new reporting and filing requirements. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Changes from previous brochure include:

- Brochure Style and Layout – in order to be more thorough in our explanation of topics covered in this brochure and more consistent with the disclosures of our affiliate firm, Capes Capital Management has adopted the layout format used by Monroe Capital Partners, LLC. While the explanations are different, there are no material changes to our business or filing other than those described below.
- Assets Under Management and Number of Accounts (Item 4, Page 5)
- Standard Fee Schedule (Item 5, Page 5) – Future new accounts will be subject to the newly listed fee schedule.
- Methods of analysis (Item 8, Page 7-8) – A more thorough description of the methods of analysis used by the firm and its advisors.
- Code of Ethics (Item 11, Pages 10-11) – A more detailed outline of our code of ethics is included.
- Brokerage Practices (Item 12, Pages 11-14) – A more detailed outline of Brokerage Practices is included.
- Voting Proxies (Item 17, Pages 15-16) – A detailed explanation of cases where Capes Capital is not authorized to vote proxies. This section also discusses the use of the Glass Lewis Proxy Voting Recommendations where Capes is authorized to vote proxies on behalf of the client.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **ITEM 4      ADVISORY BUSINESS**

Capes Capital Management, Inc. is a state-registered investment adviser with its principal place of business located at Towne Pavilion Center I, 201 Parks Avenue, Suite 103, Virginia Beach, VA 23451. Capes Capital Management, Inc. began conducting business in 1991.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- John Mark Monroe owns 70% of the outstanding shares
- Page G. Lea owns 30% of the outstanding shares

Capes Capital Management, Inc. is also affiliated with Monroe Capital Partners, LLC (CRD# 168275), a state-registered investment adviser with its principal place of business located at 4097-D Ironbound Road, Williamsburg 23188. Mr. Monroe owns a majority percentage of Monroe Capital Partners, LLC. Mr. Monroe is dually registered with both firms and serves as a Managing Director and Chief Compliance Officer for both.

Capes Capital Management, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES - INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities

- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

CCM is a state-registered investment advisor in Virginia. As of CCM's fiscal year end on 12/31/2015, CCM provides continuous and regular supervisory or management services to client portfolios totaling \$68,150,336. CCM also services \$771,603 of non-discretionary client assets.

## **ITEM 5 FEES AND COMPENSATION**

### **INVESTMENT SUPERVISORY SERVICES - INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

The annualized fee for Investment Supervisory Services are charged as a percentage of assets under management, according to the following standard fee schedule:

<b>Assets Under Management</b>	<b>Marginal Annual Fee</b>
First \$3,000,000	1.00%
Over \$3,000,000	0.80%

*Minimum Annual Fee: \$1,950.00*

For example, the annual fee for an account valued at \$4,000,000 would be calculated by charging the first \$3,000,000 an annual fee of 1% and the next \$1,000,000 would be charged an annual fee of 0.8%. If the fee calculation using this schedule is not greater than the minimum annual fee listed above, the minimum annual fee will apply.

A minimum of \$500,000 of assets under management per relationship/household is required for this service. This account size may be negotiable under certain circumstances. Capes Capital Management, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Fees are calculated and charged on a quarterly basis. Fees are calculated based on the market value of the assets under management at the beginning of each calendar quarter multiplied by 25% of the annualized schedule listed above. Fees are charged in advance (the fee will never be charged more than 92 days in advance). Fees for assets managed for only a portion of a quarter may be prorated based on the number of days in the quarter the assets were, or will be, managed during the quarter.

Fees will be debited from client accounts unless another payment method is agreed to in advance, and in writing, by both the client and CCM.

**Limited Negotiability of Advisory Fees:** Although Capes Capital Management, Inc. has established the aforementioned standard fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **GENERAL INFORMATION**

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 10 business days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of calendar days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to Capes Capital Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Capes Capital Management, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Capes Capital Management, Inc. does not charge performance-based fees.

## **ITEM 7 TYPES OF CLIENTS**

Capes Capital Management, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals

- Charitable organizations

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## **ITEM 8      METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**ASSET ALLOCATION.** Our primary form of analysis is based on asset allocation and modern portfolio theory principals. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**FUNDAMENTAL ANALYSIS.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**CYCLICAL ANALYSIS.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Cyclical analysis does not typically have a tangible measure. Therefore, the analysis is a subjective interpretation of the prices or valuations of assets that are deemed to have higher or lower cyclical risks than the market. A risk of cyclical analysis includes the potential for the analyst to misinterpret these indicators and/or the timing and duration of a market or security's cycle. This could result in a loss in value of an investment.

**QUANTITATIVE ANALYSIS.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**QUALITATIVE ANALYSIS.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development, factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**CHARTING.** In some portfolios, charting may be used to provide an added dimension of technical analysis to investment decisions. When used, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Chart patterns and technical analysis can be helpful tools to identify market trends, but because reading charts are relatively subjective, there is the risk that the analyst may misinterpret apparent patterns incorrectly and resulting in the wrong conclusion.

**RISKS FOR ALL FORMS OF ANALYSIS.** Our securities 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.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**LONG-TERM PURCHASES.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**SHORT-TERM PURCHASES.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**MARGIN TRANSACTIONS.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**USE OF PARTNERSHIPS AND OTHER HIGHER RISK SECURITIES AND INVESTMENTS.** Partnerships and other higher risk securities and investments provide an opportunity for higher appreciation in value. With that opportunity comes a higher risk that the investment may suffer substantial loss in value. Some of the risks that specifically affect these types of investments include their lower liquidity characteristics, the possibility of a change in the tax status of the structure and fluctuating interest rates. Some, but not all, of the individual security risk may be diversified away through the use of asset allocation and modern portfolio theory.

**OPTION PURCHASES AND WRITING.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.



The two types of options are calls and puts:

1. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
2. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Options are not right for every investor. Options can be risky but can also provide substantial opportunities to profit for those who properly use this very flexible and powerful financial instrument. Options have characteristics that may make them less attractive for certain investors.

- Options are very time sensitive investments. An options contract is for a short period - generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires).
- Some investors are more comfortable with a longer term investment generating ongoing income - a "buy and hold" investment strategy.
- Options are less tangible than some other investments. Stocks offer certificates, as do bank Certificates of Deposit, but an option is a "book-entry" only investment without a paper certificate of ownership.

## **RISK OF LOSS.**

Securities investments are not guaranteed, and clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

Investing in securities involves risk of loss that clients should be prepared to bear. Investment return and principal value will fluctuate, and shares when sold may be worth more or less than the original cost. Diversification does not assure a profit or protect against a loss in declining markets.

Unless you are notified to the contrary, the products and services mentioned in this brochure, including investments in money market funds, are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board or any other government agency and involve risk, including loss of principal.

Past performance does not guarantee future results. Investment accounts are not insured by the FDIC, are not guaranteed and may lose value.

## **ITEM 9      DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **ITEM 10      OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Capes Capital Management, Inc. is also affiliated with Monroe Capital Partners, LLC (CRD# 168275), a state-registered investment adviser with its principal place of business located at 4097-D Ironbound Road, Williamsburg, VA. John Mark Monroe owns a majority of the units of Monroe Capital. Mr. Monroe is dually registered with both firms and serves as a Managing Director and Chief Compliance Officer for both.

## **ITEM 11      CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

Our firm has adopted a Code of Ethics that sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Capes Capital Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Capes Capital Management, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@monroecp.com](mailto:info@monroecp.com), or by calling us at 757-220-1022.

Capes Capital Management, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Capes Capital Management, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account when such transactions can reasonably be expected to have a material influence on the price of the security. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

## **ITEM 12      BROKERAGE PRACTICES**

For discretionary clients, Capes Capital Management, Inc. requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Capes Capital Management, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Capes Capital Management, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Capes Capital Management, Inc.'s block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Capes Capital Management, Inc., or our firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Capes Capital Management, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Capes Capital Management, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities that are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on Capes Capital Management, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

Capes Capital Management, Inc. may recommend or require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend or require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Capes Capital Management, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Capes Capital Management, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Capes Capital Management, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

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

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

1. compliance, legal and business consulting;
2. publications and conferences on practice management and business succession; and
3. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Capes Capital Management, Inc.. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Not all advisers require their clients to direct brokerage. Whether the client directs brokerage to a specific broker/dealer or CCM directs brokerage, the act of directing brokerage may result in CCM's not being able to achieve most favorable execution of client transactions. This practice may cost clients more money that could include higher brokerage commissions and/or the client may receive less favorable prices. These higher

commissions may be due to different rates between the companies or may be a result of CCM's not being able to aggregate orders to reduce transaction costs.

Capes Capital Management directs brokerage to Schwab unless CCM determines in their sole discretion that the client's specific needs require services that are offered through another firm more effectively relative to the cost to the client. This determination takes into account the entire set of services that broker/dealer provides directly to the client, and to CCM for the benefit of the client, relative to those provided by Schwab.

## **ITEM 13      REVIEW OF ACCOUNTS**

### **INVESTMENT SUPERVISORY SERVICES - INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by the portfolio manager assigned to the account.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, CCM will provide quarterly reports summarizing account performance, balances and holdings.

## **ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

It is Capes Capital Management, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Capes Capital Management, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **ITEM 15      CUSTODY**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a monthly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **ITEM 16 INVESTMENT DISCRETION**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell;
- determine the amount of the security to buy or sell;
- determine the broker or dealer to be used for a purchase or sale of securities for a client's account; and,
- determine the commission rates to be paid to a broker or dealer for a client's securities transactions.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **ITEM 17 VOTING CLIENT SECURITIES**

CCM will vote proxies for client accounts, with exceptions including, but not limited to, the following:

- Accounts for which the account owner has instructed CCM or their custodian in writing to not vote proxies.
- Accounts for which CCM has no discretionary authority.
- Accounts where CCM serves as a sub-advisor. In these cases, the account owner and/or their primary advisor hold responsibility to vote proxies and other corporate actions.
- Specific proxies that present a conflict of interest for CCM. For these proxies we refer the voting right to the client.
- ERISA-covered Retirement Plans: CCM will not vote proxies unless specifically agreed to in the Investment Advisory Agreement for the Plan.

CCM will vote proxies in accordance with our established policies and procedures and in the best interests of its clients. CCM will retain all proxy voting books and records for a period of time as defined by current state or Federal regulations, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular corporate action, we will either (a) abstain from voting that particular proxy and refer that voting right to the client, or (b) notify the client of the conflict and retain an independent third-party to cast a vote.

Capes Capital Management votes proxies in accordance with Glass Lewis proxy voting recommendations. Clients always have the right to vote proxies themselves by instructing CCM in writing to not vote proxies. If a client would like to vote proxies according to a criteria other than that outlined by the Class Lewis Proxy Voting Recommendations, a client must elect to vote all proxies themselves. Clients who vote proxies themselves may receive shareholder materials other than proxy ballots. Clients may elect to vote proxies themselves by contacting the CCM Compliance Officer by telephone, email ([info@monroecp.com](mailto:info@monroecp.com)), or in writing.

Clients may obtain a copy of the CCM proxy voting policies and procedures by contacting a CCM Compliance Officer by telephone, email ([info@monroecp.com](mailto:info@monroecp.com)), or in writing. Clients may also request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of the CCM proxy policies and procedures or how we voted proxies for his/her account(s), CCM will promptly provide such information to the

client. We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. Clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **ITEM 18 FINANCIAL INFORMATION**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Capes Capital Management, Inc. has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Capes Capital Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

## **ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Mark Monroe is the Managing Director and CCO of Capes Capital Management, Inc..

Information regarding the formal education and business background of Mr. Monroe and/or other Capes Capital Investment advisors is included in the Brochure Supplement named Form ADV Part 2B.

Please refer to Item 10, "Other Financial Industry Activities and Affiliations", for information regarding other business activities of the firm and /or its advisors.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

Our firm and Mr. Monroe have no reportable disciplinary events to disclose.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither Capes Capital Management, Inc. nor its advisors have a relationship or arrangement with any issuer of securities.