

**CAPTRUST WRAP PROGRAM**

Sponsored by

**CAPTRUST FINANCIAL ADVISORS**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of CapTrust Financial Advisors (hereinafter “CapTrust” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, CapTrust is required to discuss any material changes that have been made to the brochure since the last annual amendment. CapTrust revised the “Other Charges” section in Item 4 to include mark-ups and mark-downs priced in to fixed income products and to better describe the inclusion of Independent Manager fees in the Program Fee. That section now reads:

### **Other Charges**

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In addition to the advisory fees paid to CapTrust, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include fees attributable to alternative assets and foreign securities, reporting charges, margin costs, mark-ups or mark-downs priced in to fixed income products by the broker-dealer (which the Firm has no ability to control or pay), charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with Pershing and Trade-PMR (such as 401(k) or 529 plan assets), assets held at Pershing and Trade-PMR that are not managed by the Firm (for which the Firm does not charge an advisory fee), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

In addition, fees charged by the Independent Managers, including Envestnet, are generally not included in the Firm’s fee where the client signs a separate engagement with the Independent Manager. Any additional fees that the client will pay in a specific Independent Manager relationship (including transaction fees) will be disclosed in the agreement that the client signs with that Independent Manager. If the client pays additional fees that would have otherwise been an expense of the Firm, the Firm has a conflict of interest to choose such Independent Managers. In the case where fees are paid to the Firm and Independent Managers, those fees are taken into consideration along with all other services provided by the Firm to ensure that the client is charged a fair fee.

In addition, the Firm has relationships where the Firm engages the Independent Manager directly on behalf of the client. In that circumstance, the Independent Managers’ fee are included, but the fee charged by the Firm will be higher than the schedule provided above.

In addition, the Firm added language to the “Receipt of Economic Benefit and Brokerage” section of Item 9 to make it clear that it provides due diligence over Independent Managers, but does not do best execution reviews of the Independent Managers’ brokerage practices. That section now has the following paragraph.

Independent Managers will sometimes use a broker-dealer other than Pershing or Trade-PMR. In those instances, the Firm does not do a best execution review of the broker-dealer utilized. The Firm does, however, do initial and ongoing due diligence on the Independent Manager, including its use of broker-dealers for the Firm's clients.

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## Item 4. Advisory Business

The CapTrust Wrap Program (the “Program”) is an investment advisory program sponsored by CapTrust. In addition to the Program, the Firm offers a variety of advisory services, which include investment consulting, investment management, philanthropic planning, and wealth planning services. Prior to CapTrust rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with CapTrust setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

CapTrust, registered as an investment adviser as of January 2015, believes in an employee-ownership structure led by Bruce Johnson, Brian VandenBrink and Dirk Zwiep, though the Firm is principally owned by Bruce Johnson. As of December 31, 2016, CapTrust had \$872,241,387 of assets under management, all of which was managed on a discretionary basis.

While this brochure generally describes the business of CapTrust, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on CapTrust’s behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which includes portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with Pershing Advisor Solutions (“Pershing”) and Trade-PMR or another broker-dealer that CapTrust approves under the Program (collectively “Financial Institutions”).

At the onset of the Program, the Firm completes an Investor Profile Content with the client describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, CapTrust assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary or non-discretionary basis by either CapTrust’s investment adviser representatives or an independent investment manager (collectively “Independent Managers”), as recommended or selected by CapTrust. CapTrust and/or the Independent Managers generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

### **Wealth Planning and Consulting Services**

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CapTrust offers clients a broad range of wealth planning and consulting services, which includes any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Investment Consulting
- Education Savings
- Retirement Planning
- Risk Management
- Charitable Giving
- Tax Planning
- Social Security Planning

While each of these services is available on a stand-alone basis, certain of them are also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, CapTrust is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.,) and is expressly authorized to rely on such information. CapTrust recommends clients engage the Firm for additional related services. The Firm also recommends the Firm, its Supervised Persons in their individual capacities as insurance agents, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage CapTrust or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by CapTrust under a wealth planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising CapTrust's recommendations and/or services.

### **Investment and Wealth Management Services**

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CapTrust manages client investment portfolios on a discretionary or non-discretionary basis. In addition, CapTrust may provide clients with wealth management services which generally include a broad range of comprehensive wealth planning and consulting services.

CapTrust primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and independent investment managers ("Independent Managers") in accordance with their stated investment objectives. In addition, CapTrust also recommends that certain eligible clients invest in privately placed securities, which include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds).

Where appropriate, the Firm also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage CapTrust to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CapTrust directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

CapTrust tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. CapTrust consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify CapTrust if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if CapTrust determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Retirement Plan Consulting Services**

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CapTrust provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by CapTrust as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of CapTrust's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### Use of Independent Managers

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As mentioned above, CapTrust selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients will also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

CapTrust will also utilize the Private Wealth Management Program (the "Envestnet Program") sponsored by Envestnet Asset Management, Inc. ("Envestnet") for certain clients, through which CapTrust can select Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages services through the Envestnet Program are set forth in separate written agreements. In addition to this brochure, clients will also receive the written disclosure documents related to the management of their assets in the Envestnet Program.

CapTrust evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. CapTrust also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

CapTrust continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. CapTrust seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.



**Fees for Participation in the Program**

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The investment management services provided through the Program are offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management (“Program Fee”).

This Program Fee generally varies between 50 and 150 basis points, in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$250,000	1.50%
\$250,000 - \$499,999	1.35%
\$500,000 - \$999,999	1.20%
\$1,000,000 - \$2,499,999	1.00%
\$2,500,000 - \$4,999,999	0.80%
Above \$5,000,000	Negotiable

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by CapTrust on the last day of the previous billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), CapTrust may negotiate a fee rate that differs from the range set forth above. The transaction fees incurred for these types of holdings are not typically included in the Program fee.

**Fee Comparison**

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As referenced above, a portion of the fees paid to CapTrust are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients’ portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients’ accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays

for the brokerage fees, the Firm has an incentive to engage in less transactions and choose Independent Managers whose fees fall outside of the Program Fee.

### **Fee Discretion**

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CapTrust, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Other Charges**

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In addition to the advisory fees paid to CapTrust, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include fees attributable to alternative assets and foreign securities, reporting charges, margin costs, mark-ups or mark-downs priced in to fixed income products by the broker-dealer (which the Firm has no ability to control or pay), charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with Pershing and Trade-PMR (such as 401(k) or 529 plan assets), assets held at Pershing and Trade-PMR that are not managed by the Firm (for which the Firm does not charge an advisory fee), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

In addition, fees charged by the Independent Managers, including Envestnet, are generally not included in the Firm's fee where the client signs a separate engagement with the Independent Manager. Any additional fees that the client will pay in a specific Independent Manager relationship (including transaction fees) will be disclosed in the agreement that the client signs with that Independent Manager. If the client pays additional fees that would have otherwise been an expense of the Firm, the Firm has a conflict of interest to choose such Independent Managers. In the case where fees are paid to the Firm and Independent Managers, those fees are taken into consideration along with all other services provided by the Firm to ensure that the client is charged a fair fee.

In addition, the Firm has relationships where the Firm engages the Independent Manager directly on behalf of the client. In that circumstance, the Independent Managers' fee are included, but the fee charged by the Firm will be higher than the schedule provided above.

### **Direct Fee Debit**

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Clients generally provide CapTrust and/or certain Independent Managers, including Envestnet, with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial

Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to CapTrust.

#### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to CapTrust's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to CapTrust, subject to the usual and customary securities settlement procedures. However, CapTrust designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CapTrust may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

#### **Compensation for Recommending the Program**

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CapTrust has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

### **Item 5. Account Requirements and Types of Clients**

CapTrust offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### **Minimum Account Fee**

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As a condition for starting and maintaining an investment management relationship, CapTrust generally imposes a minimum annual fee of \$3,500. This minimum fee may cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. CapTrust may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

## Item 6. Portfolio Manager Selection and Evaluation

Clients' investment portfolios are generally managed directly by CapTrust. CapTrust also utilizes the discretionary investment of certain Independent Managers, as referenced above. Where CapTrust provides services outside of the Program, there is no difference in how assets are managed other than those non-wrap clients paying transaction fees separately.

### Side-By-Side Management

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CapTrust does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### Methods of Analysis

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CapTrust utilizes a combination of fundamental and technical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or investment manager. For CapTrust, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the investment.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that CapTrust will be able to accurately predict such a reoccurrence.

### Investment Strategies

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CapTrust has a long history in the Investment Consulting approach to advising clients and implementing portfolio management. We are committed to spending significant time with each new client to reach common understanding of goals and plans, ensuring that investment strategies deployed are fitting to each individual client. Furthermore, we take great care in understanding the impact behavioral finance has in regard to the making of investment decisions, seeking to emphasize sound, long-term investment discipline.

With regard to institutional clients, we assist our clients in the development and review of an Investment Policy Statement which exists to guide the deployment, management, and monitoring of organizational resources. Investment Policy Statements highlight unique portfolio guidelines including but not limited to liquidity need, time horizon, allocation guidelines, permitted investments, methods of performance analysis and more.

All client portfolios vary based on a broad risk spectrum from long-term growth portfolios generally comprised of all equity-based assets to conservative income strategies holding the majority of assets in fixed-income instruments. Another plane of thinking that guides the ongoing management of client portfolios is an understanding of client prioritization of goals. In general, more opportunistic oriented clients will find their portfolios more highly concentrated with regard to asset classes and money managers while more conservative clients will typically maintain a broader allocation of asset classes, and even raise a portion of their portfolio to cash in defensive market environments.

Regarding portfolio holdings, we invest in a combination of everything from institutional share classes of mutual funds to exchange traded funds, index funds, separately managed accounts, and individual equity and fixed income positions.

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of CapTrust's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that CapTrust will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Use of Independent Managers*

As stated above, CapTrust may select certain Independent Managers to manage a portion of its clients' assets. In these situations, CapTrust continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, CapTrust generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains,

as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Real Estate Investment Trusts (REITs)*

CapTrust may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

#### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

*Master Limited Partnerships (MLPs)*

Master Limited Partnerships (“MLPs”) are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

**Voting of Client Securities**

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*Declination of Proxy Voting Authority*

CapTrust generally does not accept the authority to vote a client’s securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

**Item 7. Client Information Provided to Portfolio Managers**

In this Item, CapTrust is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients’ investment portfolios. Clients participating in the Program generally grant CapTrust the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm is authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, driver’s license, tax identification numbers and account numbers. CapTrust may also share certain information related to its clients’ financial positions and investment objectives in an effort to ensure that the Independent Managers’ investment decisions remain aligned with its clients’ best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients’ portfolios.

## Item 8. Client Contact with Portfolio Managers

In this Item, CapTrust is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with CapTrust. Clients can generally contact the Independent Managers managing their portfolios through CapTrust by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, CapTrust, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly.

## Item 9. Additional Information

### Disciplinary Information

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CapTrust has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

### Other Financial Industry Activities and Affiliations

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This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### *Licensed Insurance Agents*

A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that CapTrust recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

### Code of Ethics

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CapTrust has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. CapTrust's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of CapTrust's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited



offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact CapTrust to request a copy of its Code of Ethics.

### **Account Reviews**

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CapTrust monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with CapTrust and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from CapTrust and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings

or account performance. Clients should compare the account statements they receive from their Pershing and Trade-PMR with any documents or reports they receive from CapTrust or an outside service provider.

### **Client Referrals**

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In the event a client is introduced to CapTrust by either an unaffiliated or an affiliated solicitor, the Firm will pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from CapTrust's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with CapTrust's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of CapTrust is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### **Receipt of Economic Benefit and Brokerage Practices**

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CapTrust requires that clients utilize the custody, brokerage and clearing services of Pershing or Trade-PMR for investment management accounts in the Program.

Factors which CapTrust considers in recommending Pershing and Trade-PMR or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service.

In seeking best execution in recommending Pershing and Trade-PMR, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

Independent Managers will sometimes use a broker-dealer other than Pershing or Trade-PMR. In those instances, the Firm does not do a best execution review of the broker-dealer utilized. The Firm does, however, do initial and ongoing due diligence on the Independent Manager, including its use of broker-dealers for the Firm's clients.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist CapTrust in its investment decision-making process. The receipt of investment research products and/or services poses a conflict of interest because CapTrust does not have to produce or pay for the products or services.

Client assets will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer (e.g. Trade-PMR, Inc.), mutual fund companies or transfer agent. Client assets are not held by CapTrust's

advisory firm or any associate of CapTrust. Trade-PMR, Inc. acts as an introducing broker clearing on a fully-disclosed basis through Wells Fargo Clearing Services LLC for CapTrust. CapTrust periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution. CapTrust does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

CapTrust receives without cost from Pershing and Trade-PMR computer software and related systems support, which allow CapTrust to better monitor client accounts maintained at Pershing and Trade-PMR. CapTrust receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Pershing and Trade-PMR. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit CapTrust, but not its clients directly. In fulfilling its duties to its clients, CapTrust endeavors at all times to put the interests of its clients first. Clients should be aware, however, that CapTrust’s receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, CapTrust receives the following benefits from Pershing and Trade-PMR:

- Credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm’s research, technology and software platforms;
- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless CapTrust decides to purchase or sell the same securities for several clients at approximately the same time. CapTrust may (but is not obligated to) combine or “batch” such orders to obtain best execution or to allocate equitably among the Firm’s clients differences in prices that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among CapTrust’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which CapTrust’s Supervised Persons may invest, the Firm generally does so in

accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. CapTrust does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Financial Information**

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CapTrust is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.