

## ITEM 1: COVER PAGE

### Form ADV Part II Brochure

# CapWealth Advisors, LLC SEC File No. 801-69908

4031 Aspen Grove Drive, Suite 600  
Franklin, TN 37067  
Phone: (615) 778-0740

**Email:** [ContactUs@capwealthgroup.com](mailto:ContactUs@capwealthgroup.com)

**Website:** [www.capwealthgroup.com](http://www.capwealthgroup.com)

**March 27, 2026**

**This brochure provides information about the qualifications and business practices of CapWealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at the phone number or email address indicated above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about CapWealth Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

No material changes were made to this brochure since the last amendment was filed on January 9, 2026.

### ITEM 3: TABLE OF CONTENTS

ITEM 1: COVER PAGE .....	1
ITEM 2: MATERIAL CHANGES .....	2
ITEM 3: TABLE OF CONTENTS .....	3
ITEM 4: ADVISORY BUSINESS .....	4
ITEM 5: FEES AND COMPENSATION .....	6
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7: TYPES OF CLIENTS .....	8
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
ITEM 9: DISCIPLINARY INFORMATION .....	11
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	11
ITEM 11: CODE OF ETHICS, CONFLICTS OF INTEREST AND PERSONAL TRADING .....	11
ITEM 12: BROKERAGE PRACTICES .....	12
ITEM 13: REVIEW OF ACCOUNTS .....	15
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	15
ITEM 15: CUSTODY .....	16
ITEM 16: INVESTMENT DISCRETION .....	16
ITEM 17: VOTING CLIENT SECURITIES .....	17
ITEM 18: FINANCIAL INFORMATION .....	18

## ITEM 4: ADVISORY BUSINESS

### FIRM PROFILE

CapWealth Advisors, LLC (“CapWealth” or “CWA”) is a Securities and Exchange Commission (“SEC”) Registered Investment Adviser (“RIA”). CapWealth is a Limited Liability Company (LLC) based in Franklin, Tennessee and has been in business since 2009. The Firm is principally owned by CapWealth Group, LLC.

### INVESTMENT MANAGEMENT SERVICES

CapWealth offers the following types of services:

- ◆ **INVESTMENT SUPERVISORY SERVICES.** When providing this service, CapWealth will emphasize continuous and regular account supervision for the purpose of client wealth accumulation. This accounts for a vast majority of the firm's business.
- ◆ **MANAGEMENT OF INVESTMENT ADVISORY ACCOUNTS NOT INVOLVING INVESTMENT SUPERVISORY SERVICES.** This service consists of initially working with clients to identify investment goals, risk tolerance, and investment time horizon. This accounts for a small minority of the firm's services.

**THE INVESTMENT SERVICES OFFERED BY CAPWEALTH CAN BE PROVIDED ON EITHER A DISCRETIONARY OR NON-DISCRETIONARY BASIS.** Under the Discretionary Investment Management Agreement, clients grant CapWealth complete and sole discretion to manage their account(s). The account(s) will be managed in accordance with each client's investment objectives, risk tolerance, and investment time horizon. Management of the account(s) is subject only to any reasonable restrictions that the client has provided to CapWealth in writing. Pursuant to this grant of discretion, clients authorize CapWealth to invest in securities and other investments of any nature whatsoever, at the time and in the manner that CapWealth determines. As a result, CWA may buy, sell, or hold the same securities for certain clients while also advising the opposite investment decision for one or more other clients. CapWealth will also act on the client's behalf in all other matters necessary or incidental to the handling of the account, without discussing these transactions or actions with the client in advance. The specific terms of the investment advisory relationship between each client and CapWealth are set forth in the client's Investment Management Agreement. Under the Non-Discretionary Investment Management Agreement, CapWealth provides investment advice to clients on a non-discretionary basis. This advice is in accordance with each client's investment objectives, risk tolerance, and investment time horizon. CapWealth will recommend the purchase and/or sale of securities to clients. But, CapWealth will not execute any recommendations until such time the Firm obtains the client's verbal or written authorization to do so. The specific terms of the investment advisory relationship between each client and CapWealth are set forth in the client's Investment Management Agreement.

- ◆ **INDIVIDUAL CUSTOMIZATION.** Each client informs CapWealth of the investment objectives, risk tolerance, and investment time horizon for the account(s). Each client will also notify CapWealth of any reasonable restrictions that the client wishes to impose on the management of the account(s). These restrictions could include designating particular securities or categories of securities that should not be purchased or sold in the account(s). Based on the information provided by the client, CapWealth, to the fullest extent possible, will tailor services to meet the individual needs of each client.
- ◆ **FINANCIAL PLANNING.** One of the services offered by CWA is Financial Planning. This service may be provided as a stand-alone service or may be coupled with other wealth management services. Financial Planning may include advice that addresses one or more areas of a client's financial situation, such as estate planning, risk management, budgeting and cash flow controls, retirement planning, education funding, and investment portfolio design and ongoing management. Depending on a client's particular situation, financial planning may include some or all of the following:
  - Gathering factual information concerning the client's personal and financial situation;
  - Assisting the client in establishing financial goals and objectives;
  - Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives;

- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering alternative solutions to the problems;
- Making recommendations to help achieve retirement plan goals and objectives;
- Designing an investment portfolio to help meet the goals and objectives of the client;
- Providing estate planning
- Assessing risk and reviewing basic health, life and disability insurance needs; or
- Reviewing goals and objectives and measuring progress toward these goals.

Once Financial Planning advice is given, the client may choose to have CWA implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by CWA under a Financial Planning engagement and/or engage the services of any recommended professional.

- ◆ **WRAP FEE PROGRAM.** CWA does not offer wrap fee programs.

### **ASSETS UNDER MANAGEMENT (“AUM”)**

As of December 31, 2025, CapWealth managed the following client assets:

Discretionary assets of \$1,997,898,716

Non-Discretionary assets of \$32,949,265

### **INVESTMENTS**

CapWealth offers advice on the following types of investments:

- |  |                                       |
|--|---------------------------------------|
| ◆ Alternative investments  | ◆ Certificates of deposit             |
| ◆ Exchange-listed securities   | ◆ Options contracts on securities     |
| ◆ Securities traded over-the-counter   | ◆ Money markets                       |
| ◆ Foreign issues   | ◆ Municipal securities                |
| ◆ Fixed income (Corporate debt securities, residential mortgage-backed securities, etc.) | ◆ Variable life insurance             |
| ◆ Commercial paper   | ◆ Variable annuities                  |
| ◆ Common Stock   | ◆ Mutual fund shares                  |
|  | ◆ Preferred stock                     |
|  | ◆ United States government securities |

## ITEM 5: FEES AND COMPENSATION

### MANAGEMENT FEES

Clients pay an annual advisory fee ("Management Fee") based on a percentage of their assets under management in each account on the last trading day of each calendar quarter. The minimum account size is \$1,000,000 AUM, subject to senior management discretion. This fee covers only CapWealth's investment advisory services. Pursuant to this plan, clients may pay separate brokerage commissions and charges for transactions. Transactions are directed to broker-dealers selected by the client.

Clients will be assessed fees indicated on the tables set forth below for the investment advisory services offered by CapWealth. The Management Fee is payable each quarter in advance and is expressed as an annual rate on the fee schedules set forth below. The fees will be deducted from the client's assets. The quarterly rate will be approximately one-fourth of the annual rate.

### FEE SCHEDULES

#### Investment Advisory Accounts

Assets Under Management	Management Fee
Up to and including \$1,000,000	1.25%
\$1,000,001 to \$2,000,000	1.00%
\$2,000,001 to \$3,500,000	.75%
3,500,001 to \$5,000,000	.60%
\$5,000,000 +	.50%

#### Fixed Income Accounts - Fixed-Income Only Fee Schedule

Assets Under Management	Management Fee
Up to and including \$1,000,000	.50%
\$1,000,001 to \$2,000,000	.45%
\$2,000,001 to \$3,500,000	.40%
3,500,001 to \$5,000,000	.35%
\$5,000,000 +	.30%

The Management Fee may be higher or lower than the fees that CapWealth charges other clients. The fee will depend on the extent of the services provided to the client and the cost of such services. The fee can be higher or lower than the cost of similar services offered through other financial firms. The minimum annual account fee is \$5,000. The minimum fee may be waived at the discretion of the CEO or Chairman.

CapWealth may increase or decrease the standard Management Fee, which is set forth in the schedules above, in appropriate circumstances. This fee increases or decreases based on a number of factors including, but not limited to the following:

1. The anticipated services required by the client
2. The type and size of the account
3. The historical and/or expected size or number of trades for the account
4. Services provided to the account
5. The client's other accounts with CapWealth
6. The accounts of the client's family with CapWealth
7. CapWealth's assessment of the potential future business the client may generate

The fee set forth in the client's agreement will continue until 30 days after CapWealth has notified the client in writing of any change in the amount of the fee applicable to the client's account. At such time, the new fee will become effective unless the client notifies CapWealth that the account will be closed.

Any investment advisor representative of CapWealth may negotiate a discount on the Management Fee. Any increase in the Management Fee must be approved by the CEO or Chairman.

The Management Fee does not cover transaction costs, including brokerage commissions, "markups," "mark-downs," "dealer spreads" or other charges resulting from transactions directed to broker-dealers.

CapWealth does not hold any customer assets and does not act as a custodian. The Management Fee does not cover the cost of custody services. A separate custody fee may or may not be charged by the custodian (which could be a bank or a brokerage firm) that holds your assets. The Management Fee also does not cover certain costs or charges that may be imposed by a custodian or other third parties, including but not limited to costs associated with exchanging foreign currencies, odd-lot differentials, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law. The Management Fee does not cover the annual fee that custodians or third parties may charge IRA accounts. Costs associated with using margin are not covered by the Management Fee and may result in additional costs to the client.

#### **ADMINISTRATIVE FEES**

CapWealth imposes a \$400.00 annual administrative fee per account. This fee helps to cover the cost associated with software/tools that are used for performance measurement and reporting. This fee can be waived at the discretion of the CEO or Chairman. One fourth of the administrative fee will be deducted quarterly along with the management fee.

#### **CUSTODIAN FEES**

The broker-dealer ("custodian") that holds your assets may impose charges for certain investments and for maintaining your account. The custodian may also charge a transaction fee when we buy and sell an investment for you. The custodian fees are in addition to our management fees. Some investments, such as mutual funds and exchange traded funds ("ETF"), charge additional fees that reduce the value of your investment over time.

#### **TERMINATION OF AGREEMENT AND MANAGEMENT FEE**

The investment management agreement may be terminated by the client at any time. Any account that has paid fees in advance and terminates during a quarter will be returned a prorated portion of the fees paid for that quarter. This includes administrative fees. The fee will either be credited to the account, or a check will be issued to the client.

If a client is a natural person, the death, disability, or incompetency of a client will not terminate or change the terms of the investment management agreement. However, a client's executor, guardian, attorney-in-fact or other authorized representative may terminate the investment management agreement by giving written notice to the Adviser.

#### **ADDITIONAL FEES**

CapWealth provides financial planning and financial consulting as part of our comprehensive wealth management services without any additional charge. However, under limited and special circumstances we may charge a fixed fee for financial planning and/or financial consulting projects outside of our traditional wealth management services. Fees are negotiated based upon the complexity and scope of the financial consulting and/or financial planning project. Amounts billed are typically due one-half up front and the remaining one half upon completion of the project.

#### **FINANCIAL PLANNING FEES**

Financial Planning services are rendered at a fixed, flat fee based upon client needs.

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

CapWealth does not charge performance-based fees nor does it provide Side-by-Side Management.

## ITEM 7: TYPES OF CLIENTS

CapWealth provides investment advice to the following types of clients:

- ◆ Individuals
- ◆ High Net Worth Individuals
- ◆ Charitable Organizations
- ◆ Corporations and Other Businesses

CapWealth has a minimum annual account fee of \$5,000, although the minimum may be waived at the discretion of the CEO or Chairman. For additional information regarding fees please see the section entitled "Fees and Compensation".

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

### METHODS OF ANALYSIS:

CapWealth uses Fundamental and Technical Analysis to develop its investment strategy. The basis of fundamental analysis is that all decisions should be based on sound arguments of financial nature. This is different from a technical analysis where decisions are made mostly on patterns of price fluctuations. Fundamental analysis attempts to study everything that can affect a security's value, including macroeconomic factors and company-specific factors. The goal of performing fundamental analysis is to produce a value that can be compared with the security's current price. This would then be used to determine what position to take with the security.

Fundamental analysis is a four-step process:

- 1) Establishing initial investment criteria followed by stock screening
- 2) Analyzing financial statements and ratio analysis
- 3) Stock valuation
- 4) The decision to buy or not

CapWealth may utilize the following sources of information during the analysis process:

- 1) Bloomberg
- 2) Financial media
- 3) Research materials prepared by others
- 4) Corporate rating services
- 5) Annual reports, prospectuses, filings with the SEC
- 6) Company press releases

### INVESTMENT STRATEGIES:

CapWealth uses the following investment strategies to implement investment advice to clients:

1. **LONG TERM PURCHASES:** Long-term investing is typically defined as any investment held for more than one year. This strategy often offers a greater degree of stability and a lower risk than short-term investing. This type of strategy is used when the investor has a long-time horizon. It allows the portfolio to grow over the years. A long-term strategy typically involves investments over a wide range of segments with a diversified portfolio. Diversification across several segments or sectors can potentially help investors offset losses in certain sectors with gains in others. Risks involved with this strategy include, but are not limited to, capital risk, economic risk, financial risk, inflation risk, interest rate risk, regulatory risk, liquidity risk, market risk, operational risk and strategy risk.

Long-term investment strategies may also involve opportunity cost risk. By remaining committed certain holdings over extended periods, investors may miss more attractive opportunities that arise in different sectors, asset classes, or market conditions. Market leadership can shift over time, and investments that once appeared well-positioned may lag as economic trends evolve.

Long-term investment strategies may also involve opportunity cost risk. By remaining committed to certain holdings over extended periods, investors may miss more attractive opportunities that arise in different sectors, asset classes, or market conditions. Market leadership can shift over time, and investments that once appeared well-positioned may lag as economic trends evolve.

2. **SHORT-TERM PURCHASES:** Short-term investing is typically defined as any investment held for less than one year. This strategy is used to provide investors with more current profits rather than waiting years for an investment to mature. The basic premise is to exit from the investments at a higher level instead of waiting for an additional rise in price. There are numerous market risks associated with this type of investment strategy. Any kind of "bad news" can have a negative effect on the market in the short term. Short term investing can be very volatile due to the many factors that determine prices and interest rates. Risks involved with this strategy includes capital risk, economic risk, financial risk, higher trading cost, interest rate risk, regulatory risk, liquidity risk, market risk, operational risk, strategy risk.

Short-term trading typically involves more frequent buying and selling, which can increase transaction costs, bid-ask spreads, and tax liabilities. These additional costs may reduce overall investment returns and can make it more difficult for the strategy to outperform over time.

3. **OPTION WRITING:** An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price by exercising the option before its specified expiration date. "Call" options give you the right to buy. "Put" options give you the right to sell. CapWealth utilizes covered options and other strategies such as spreads and straddles. Risks involved with this strategy include, but are not limited to, capital risk, economic risk, financial risk, higher trading cost, interest rate risk, regulatory risk, liquidity risk, market risk, operational risk, strategy risk.
4. **OTHER:** CapWealth may implement other strategies including investment in interval funds, and below investment grade securities. Investments in interval funds provide limited liquidity, as shares can only be redeemed during scheduled repurchase periods. These funds often invest in illiquid or hard-to-value assets, which can lead to valuation uncertainty, higher fees, and returns that may differ from investor expectations.

Investments in below grade securities, sometimes referred to as 'junk bonds,' carry a higher risk of default and greater sensitivity to economic downturns, interest-rate movements, and issuer-specific credit events. Their prices can be more volatile than those of investment-grade bonds, and investors may experience periods of reduced liquidity or widening credit spreads.

## RISK OF LOSS

**MARGIN TRANSACTIONS:** CWA does not recommend margin trading. The Custodian allows CWA clients to margin trade, therefore clients may trade on margin at their own discretion, and therefore may maintain a margin balance at the Custodian if they so choose to engage in the activity. Margin trading involves borrowing funds from a broker-dealer to purchase securities. Technically, it is a loan that allows the investor to buy more stock than they would normally be able to do. Margin transactions are mainly used in accordance with short-term investments. The longer an investment is held, the greater the return that is needed to break even. There are many requirements and restrictions on margin transactions. Clients should not utilize this strategy without the full understanding of all costs and risks. Market changes can lead to unexpected losses and the cost of borrowing can erode any potential gains. Risks involved with this strategy include, but is not limited to, capital risk, economic risk, financial risk, interest rate risk, regulatory risk, liquidity risk, margin risk, market risk, operational risk, strategy risk.

**RISK OF LOSS:** Investing is not risk-free. Even with detailed analysis and sound strategies investors still have to factor in several types of risks and the effects on their investments. The following risks are associated with the investments on which CapWealth provides investment advice.

**CAPITAL RISK:** This is the risk that you may lose all or part of the principal amount invested.

**DEFAULT OR FINANCIAL RISK:** Businesses can and will experience financial difficulties. This can lead to companies not being able to make required payments on their debt obligations. Due to this risk, companies with a higher default risk must pay higher interest rates on their bonds. Thus, the typical yield on a riskier bond is higher.

**ECONOMIC RISK:** This is the risk posed by possible variations in earnings, prices, sales, rates of interest and other financial variables.

**EXCHANGE RATE RISK:** The value of an investment can be affected due to changes in currency exchange rates. An adverse movement in exchange rates can create a substantial loss for the investor. Clients invested in foreign companies must be aware of this risk. The value of their investment in U.S. dollars can decline even if the company performs well. The decline in value would be due to the rise in the U.S. dollar relative to the value of the currency in the country where the investment is located.

**INFLATION RISK:** What will be the future real value (after inflation) of any investment? This risk involves the loss of purchasing power due to the rise in the level of prices. Clients will lose purchasing power if their investments do not return an annualized average return above the rate of inflation. This is a concern for all investments but is of particular concern for client portfolios that are heavily concentrated in fixed income investments.

**INTEREST RATE RISK:** This risk is associated with interest-bearing assets, such as bonds. Interest rates and bond prices have an inverse relationship. As interest rates rise the prices of bonds will decline, and vice versa.

**LIQUIDITY RISK:** This risk refers to the ability to sell an asset quickly. This will be of particular interest to any investor that holds an investment that is thinly traded. The ability to find a buyer in these types of investments can be difficult and could lead to unexpected losses.

**MARGIN RISK:** The risk that market conditions can change rapidly and lead to unexpected losses and the cost of borrowing can erode any potential gain.

**MARKET RISK:** This is the overall risk when a client buys shares of any investment. Simply put, this is the risk that an investment will decrease. The factors associated with market risk are stock prices, interest rates, foreign exchange rates, and commodity prices.

**OPERATIONAL RISK:** This is the risk of business operations failing due to human error. The risk will change from industry to industry and is an important consideration to make when looking at potential investment decisions.

**POLITICAL RISK:** Investments in foreign-based companies or U.S. companies with significant revenue or assets in foreign countries are subject to the risk associated with political unrest and instability. This is also known as geopolitical risk and becomes more of a factor as the time horizon of investments gets longer.

**REGULATORY RISK:** The risk that a change in laws and regulations will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

**STRATEGY RISK:** Exposure to loss resulting from a strategy that turns out to be defective or inappropriate.

**SYSTEMIC RISK:** This risk refers to the collapse of an entire financial system or market. This risk could arise from financial system instability or a catastrophic event.

**TAX RISK:** Investors must understand the tax impact of their financial transactions. Each transaction will have or eventually have a taxable impact on the client. Also, the current tax implications must be weighed against the uncertainty of future tax rates.

**CONCENTRATION RISK:** Investors understand that a concentrated position occurs when an individual security represents a large percentage of a portfolio. Concentrated positions are defined as any position that is 10% or more of a portfolio. The Investment Committee conducts a quarterly review of all concentrated positions. If a concentrated position exists, the Investment Adviser Representative will have individual discussions with a client at least once per year to ensure positions are in accordance with an investor's investment goals.

**ACTIVE MANAGEMENT:** An integral part of actively managing client accounts is observing market movement. Different predictive methods are analyzed by CWA's Investment Committee to proactively manage portfolios, including fundamental, technical, quantitative, and economic data. Analyzing market movement is an essential strategy for limiting client losses and ensuring proper positions are held. CWA is aware that analyzing market movement is not a strategy utilized to eliminate risk, but to actively manage a portfolio with the client's investment goals in mind. CWA also understands that there are costs associated with entering and exiting the market. These costs are considered at each entry and exit point.

**CYBER SECURITY RISK:** Due to the increased use of technology to conduct business, CWA may be susceptible to operational, information security and related risks. Cyber-attacks can be deliberate or random and launched by internal or external sources. Cyber-attacks include but are not limited to malware attacks, denial of services attacks and phishing attacks.

### **ITEM 9: DISCIPLINARY INFORMATION**

CapWealth is 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 Adviser and our management personnel have not been a party to any material legal or disciplinary proceedings.

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

CapWealth Advisors, LLC does not have any financial industry affiliations.

### **ITEM 11: CODE OF ETHICS, CONFLICTS OF INTEREST AND PERSONAL TRADING**

The Investment Advisers Act of 1940 requires all Investment Advisers to adopt a Code of Ethics. The Code of Ethics sets forth the basic policies of ethical conduct for all officers and employees of CapWealth. The foundation of the Code of Ethics consists of basic standards of conduct including, but not limited to, the avoidance of conflicts between personal interests and interests of the Firm or its clients. Officers and employees of CapWealth understand and adhere to the following ethical standards:

- 1) The fiduciary duty at all times to place the interest of the Firm's clients first.
- 2) The duty to ensure that all personal securities transactions be conducted in a manner that is consistent with the Code of Ethics to avoid any actual or potential conflict of interest or any abuse of such officers and employees position of trust and responsibility.
- 3) The duty to ensure that the officers and employees of the Firm do not take inappropriate advantage of their position with the Firm.

All CapWealth employees have received a copy of the Code and have signed an attestation acknowledging their understanding and acceptance of the Code.

The firm will promptly forward a copy of its Code of Ethics to any client upon request. Please contact Ryan Hitt at 615-778-0740, toll-free at 877-262-2650 or via e-mail at [ContactUs@capwealthgroup.com](mailto:ContactUs@capwealthgroup.com) to request a copy.

To prevent conflicts of interest, all employees of CapWealth must comply with the firm's Policies and Procedures and with the firm's Code of Ethics, which impose restrictions on the purchase and sale of securities for their own accounts and the accounts of certain affiliated persons.

A Principal of CapWealth will review all securities transactions of related persons pre-trade and post-trade to ensure that no conflicts of interest exist. No security may be bought or sold by a principal or employee of CapWealth before CapWealth's client accounts have had the opportunity to make such transactions as appropriate (except transactions in investment company securities and for other exempt securities). If after reviewing any employee transaction, the compliance department determines that a potential conflict of interest exists he/she shall have the authority to make any necessary adjustments, including canceling and re-billing the transaction to such other account(s) as appropriate.

#### **EMPLOYEE REPORTING REQUIREMENTS**

Any new employee of CapWealth that is considered an access person must provide their personal securities holdings no later than 10 days after becoming an employee. Each quarter thereafter, each access person must report their quarter transactions and current holdings.

#### **INSIDER TRADING POLICY**

Section 204A of the Advisers Act requires that Investment Advisors establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by the Advisor or any person associated with the Advisor. Considering the increased focus on insider trading and increased penalties, CapWealth has implemented the necessary policies and procedures in order to protect itself against the significant monetary penalties and damage in reputation that may result from an insider trading violation.

If an employee of CapWealth, regardless of position, receives information at any time he believes is material non-public information, he must convey such information to the CapWealth Compliance Department. The Compliance Department will then make a judgment as to the handling of such information in order to prevent possible charges of 204A insider trading violations.

To ensure full compliance with the requirements of Section 204A, all CapWealth employees will be required to sign a quarterly disclosure statement affirming their understanding of their duties and responsibilities regarding the proper use and safeguarding of insider information

#### **REVENUE SHARING ARRANGEMENTS**

CapWealth may enter into revenue sharing agreements ("alternative arrangements" or "side letters") with private fund managers. Under this arrangement and when in the best interest of the client, CapWealth allocates a portion of client funds to another Fund Manager. In return, the Fund Manager remits a portion of the management fees generated to CapWealth. Agreements entered with Fund Managers are executed directly between CapWealth and the Fund via side letter agreements and state all terms, including the management fee sharing arrangement.

For accounts where funds are allocated to fund managers, Clients receive a disclosure letter explaining the risks and liquidity constraints of the investment and the fee sharing arrangement between the fund manager and CapWealth. Clients are required to review and sign the disclosure letter, acknowledging their understanding.

**RELATED CONFLICT OF INTEREST:** The Advisor or its related persons may invest in alternative investment vehicles alongside its clients.

### **ITEM 12: BROKERAGE PRACTICES**

#### **CHARLES SCHWAB AND CO.**

CapWealth recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer with FINRA, the SEC, and is a member of SIPC. Schwab will maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the client. Schwab can also maintain those accounts under ERISA or IRA rules and regulations, where the client is acting as either the plan sponsor or IRA account holder. CapWealth is independently owned and operated and not affiliated with Schwab. Schwab provides CapWealth 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 RIA on an unsolicited basis and usually at no

charge so long as a total of at least \$10 million of the aggregate clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, advice, analyses, reports 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 CapWealth client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to CapWealth other products and services that benefit CapWealth but may not benefit its clients' accounts. These benefits may include national, regional or CapWealth specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of CapWealth by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Some other products and services assist CapWealth in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of CapWealth fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of CapWealth accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available other services intended to help CapWealth manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to CapWealth by independent third parties. Schwab 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 CapWealth. While, as a fiduciary, CapWealth endeavors to act in its clients' best interests, CapWealth's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to CapWealth and the availability of some of the foregoing products and services and other arrangements and not based solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This may create an inherent conflict of interest. However, be aware that CapWealth will accept accounts held at broker-dealers other than Schwab.

#### **BEST EXECUTION**

It is CapWealth's policy to obtain the "best execution" of its customers' securities transactions on a best-efforts basis since the firm does not control trade execution. CapWealth, through the trading department at Schwab or any other custodian or executing broker, will cause each customers' securities transactions to be executed in such a manner that the customer's total cost or proceeds in each transaction is the most favorable under the circumstances.

#### **DIRECTED TRANSACTIONS**

Some clients may reserve the right to direct security transactions in their accounts. Generally, these directed transactions will be considered market orders. Limit orders are permitted but discouraged. It is CapWealth's policy to require all customer instructions to direct transactions in customer accounts to a specific broker-dealer be in written form. When a client instructs CapWealth to execute transactions through a specific broker-dealer the client acknowledges that such direction may limit its ability to obtain the most favorable execution under the circumstances. Directed brokerage may prevent CWA from aggregating the client's transactions with those of other clients or from negotiating commission rates or seeking more advantageous pricing from alternative broker-dealers. As a result, the client may incur higher commissions, less favorable execution prices, or additional trading costs.

### **BLOCK (OR BUNCHED) TRADING**

CapWealth does authorize combining purchase or sale orders ("blocking" trades) for more than one account. This is authorized where the blocking of trades appears to be potentially advantageous for each participating account. CapWealth will aggregate transaction orders only if it believes that the aggregation is consistent with its duty to seek the best execution for customer trades. Also, it must be consistent with the terms of the investment advisory agreement with each client whose trades are being aggregated.

Block trading and the related allocation practices must be performed appropriately and evenly to benefit all clients. If an Investment Advisor does not execute block trades appropriately or does not use block trading methods at all then a variety of conflicts of interest can arise. The following list identifies and describes several potential conflicts that can occur using blocking trades:

- 1) Accounts that do not participate in block trading do not receive the average price paid. This means that securities purchased at the lowest price or sold at the highest price may be allocated to favored clients on a subjective basis by the Investment Advisor.
- 2) An order memorandum lists neither the accounts participating in each trade nor the extent of their participation. The Investment Advisor waits until later in the day, or in extreme situations, until the next day to decide how the trade is to be allocated and that decision can be shaded by subsequent market movement. The result is that favored clients (or a proprietary account) may get a benefit if the price movement is favorable. This practice is known as "cherry picking" and is prohibited.
- 3) Changes in accounts participating in a trade or the extent of their participation from the stated order ticket are not documented and the reasons for such changes are not stated. Investment Advisors may substitute other accounts depending on the market action during the day to favor particular clients or groups of clients. This is also prohibited.
- 4) Allocation instructions may not be given to executing brokers on trade date. This practice occurs particularly when bunched trades are executed through omnibus accounts. The Investment Advisor can use price movement in the investment subsequent to trade date to determine how the shares will be allocated among accounts and favor certain accounts to the detriment of others. This is another form of cherry picking and is prohibited.
- 5) When proprietary accounts participate with client accounts in bunched trades, the proprietary accounts get benefits based on the volume of client trading. Joint participation may make it easier for the Advisor to skew allocations to favor proprietary accounts and may cause the execution of the trade to be less favorable than would otherwise be the case. CapWealth does not include proprietary or personal accounts in block trades.

The Compliance Department is aware of these potential problems and reviews trades to identify any potential fiduciary concern.

### **PERSONAL TRADING BY EMPLOYEES**

Principals and employees of CapWealth buy and sell securities that it also recommends to clients. To prevent conflicts of interest, all employees of CapWealth must comply with the firm's Policies and Procedures and with the firm's Code of Ethics, which impose restrictions on the purchase and sale of securities for their own accounts and the accounts of certain affiliated persons. For additional information regarding employee transactions please see the section entitled "Code of Ethics".

### **TRADING ERRORS:**

In all circumstances where CapWealth is aware that a trade error has occurred, the Firm will notify the broker-dealer and the broker-dealer shall be responsible for correcting the error in the Firm's Trading Errors Account either by selling the security and remitting the appropriate funds to the affected account or by purchasing the required security and posting it to the affected account. If the broker-dealer discovers a trade error, CWA will be contacted immediately. Trade errors will be reversed as soon as possible and no errors shall remain outstanding for a period of more than 120 days, unless otherwise approved.

### ITEM 13: REVIEW OF ACCOUNTS

The CapWealth compliance department monitors all portfolio activity on a daily basis to ensure that executed transactions are in compliance with client-specified investment criteria and constraints. Any violations or discrepancies are reported to the Investment Adviser Representative and the Investment Committee.

Every account is formally reviewed at least one time per year by a Principal of CapWealth or his designee. Approximately twenty five percent (25%) of the firm's accounts will be reviewed each quarter. The review process contains each of the following elements:

- 1) Assess the client's goal and objectives
- 2) Evaluate the strategy that has been employed
- 3) Address the need to rebalance, if any
- 4) Verification of investment supervisory services
- 5) Verify the annual management fee

Any model portfolios created by CapWealth are reviewed on a regular basis by members of the Investment Committee. The review includes an evaluation of asset allocation, performance, sector breakdown and fundamental analysis of the individual holdings.

It is also the responsibility of each Investment Adviser Representative to devote the requisite amount of attention to professionally manage each of his/her accounts in accordance with the investment objectives of the client. In managing accounts, each Investment Adviser Representative is required to maintain regular communication with his/her clients.

In addition to our regularly scheduled account reviews, we conduct additional reviews when certain events occur that may affect a client's investment strategy or financial situation. These events may include significant market or economic changes, material changes in a client's personal or financial circumstances, substantial deposits or withdrawals, updates to investment objectives or risk tolerance.

#### REPORTS TO CLIENTS

The nature and frequency of reports to clients are determined primarily by the particular needs of each client. Generally, clients will receive a quarterly performance report summarizing all portfolio activity. In addition, the custodian or one of its affiliates will provide clients with confirmations for all transactions and monthly statements if there is account activity during the month (quarterly if there is no activity) listing the assets in the account and related information. CapWealth recommends clients compare account transactions and holdings listed on these statements to the account transactions and holdings from the custodian. The CapWealth statement may vary from the custodial statement based on accounting principles, reporting dates or valuation methodologies of certain securities. Please contact CapWealth at 615-778-0740 or toll-free at 877 -262-2650 if any discrepancies are discovered.

### ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Neither CapWealth nor any related persons have any arrangements, oral or in writing, where it:

- 1) Is paid cash by or receives some economic benefit from a non-client in connection with giving advice to clients.
- 2) Directly or indirectly compensates any person for client referrals.

CapWealth may receive economic benefits from Schwab in the form of the support products and services made available to the firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described in the section entitled "Brokerage Practices". The availability of Schwab's products and services is not based on CapWealth giving particular investment advice, such as buying particular securities for our clients.

## ITEM 15: CUSTODY

Since CapWealth has an arrangement for automatic deduction of client fees from their brokerage account(s), CapWealth is deemed to have custody of client funds. CapWealth does not engage in any other activities such as physical possession or control of any client funds **or** securities.

Custody (physical possession and control) of account assets will be maintained with the independent custodian selected by the client. The custodian will be named on Schedule A of the Investment Management Agreement (the "Agreement"). CapWealth will not have custody of any assets in the account(s). Clients will be solely responsible for paying all fees or charges of the custodian.

Upon the execution of the Agreement, the client authorizes CapWealth to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the account. The client also authorizes and directs CapWealth to instruct the custodian on the client's behalf to:

- 1) Send clients at least quarterly a statement showing all transactions occurring in the account during the period covered by the account statement(s), and the funds, securities, and other property in the account at the end of the period.
- 2) Provide the Adviser copies of all periodic statements and other reports for the account that the custodian sends to the client.

CapWealth also issues quarterly statements. CapWealth recommends clients to compare account transactions and holdings listed on these statements to the account transactions and holdings from the custodian. The CapWealth statement may vary from the custodial statement based on accounting principles, reporting dates or valuation methodologies of certain securities. Please contact CapWealth at 615-778-0740 or toll-free at 877-262-2650 if any discrepancies are discovered.

## ITEM 16: INVESTMENT DISCRETION

CapWealth offers investment supervisory services on a discretionary basis. In order for the firm to accept this authority, the client must sign a Discretionary Investment Management Agreement (the "Agreement"). Under the Agreement, clients grant CapWealth complete and sole discretion to manage their account(s). Pursuant to this grant of discretion, clients authorize CapWealth to invest in securities and other investments of any nature whatsoever, at the time and in the manner that CapWealth determines. CapWealth will also act on the client's behalf in all other matters necessary or incidental to the handling of the account, without discussing these transactions or actions with the client in advance. The specific terms of the investment advisory relationship between each client and CapWealth are set forth in the client's Agreement. The account will be managed in accordance with each client's investment objectives, risk tolerance, and investment time horizon.

Management of the account is subject only to any reasonable restrictions that the client has provided to CapWealth in writing. Schedule B of the Agreement can be utilized by clients to list and describe any investment restrictions and guidelines that CapWealth must follow in the management of the clients' account(s).

CapWealth representatives must adhere to their fiduciary duty. All representatives have to act in the best interests of its clients and make full and fair disclosure of all material facts. This is especially of concern where conflicts of interest arise. In managing discretionary accounts, representatives will:

- 1) Render impartial advice
- 2) Make suitable investments for clients in light of the customer's financial circumstances and objectives
- 3) Ensure that adequate and accurate representations about risks are presented to customers
- 4) Have an adequate factual basis for investments, representations, and projections
- 5) Have a reasonable basis for investment selection
- 6) Obtain the best execution for customer transactions

## ITEM 17: VOTING CLIENT SECURITIES

CapWealth has the ability to vote proxies if this responsibility and authority has been delegated to the Firm by the client. This authorization is outlined in the Investment Management Agreement. If a client wants to delegate this authority to CapWealth, the indicated box must be marked on the Agreement. If a client does not want to delegate this authority to CapWealth, the indicated box must be marked on the Agreement. If neither box is marked, CapWealth will assume the delegation to vote has been granted by the client.

As an investment adviser that has been granted the authority to vote on portfolio proxies, CapWealth owes a fiduciary duty to its clients. As a fiduciary with respect to that responsibility, CapWealth must ensure that all proxy votes for portfolio securities are made in the best interest of CapWealth's clients.

Investment Advisers registered with the SEC, and which exercise voting authority with respect to client securities, are required by Rule 206(4)-6 of the Advisers Act to:

- 1) Adopt and implement written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interests of clients, which must include how an adviser addresses material conflicts that may arise between an adviser's interest and those of its clients;
- 2) Disclose to clients how they may obtain information from the adviser with respect to the voting of proxies for their securities;
- 3) Describe to clients a summary of its proxy voting policies and procedures and, upon request, furnish a copy to its clients; and
- 4) Maintain certain records relating to the adviser's proxy voting activities when the adviser does have proxy voting authority.

CapWealth has retained Institutional Shareholder Services ("ISS") to provide legal oversight, in-depth analysis, and recommendations on all proxy matters. ISS is nationally recognized as one of the leading independent providers of corporate governance information.

All proxies will be automatically forwarded to ISS whose responsibilities will include:

- 1) Implement designated voting policies and vote recommendations based on the application of such policies
- 2) Transmit the voted proxies to the issuer
- 3) Record how each proxy was voted
- 4) Maintain appropriate proxy voting records

ISS votes all proxies based on their recommendations and underlying voting guidelines and policies.

CapWealth will generally follow ISS's recommendation and will not use its discretion in the proxy voting decision. For this reason, client proxies are voted in the client's best interest, in accordance with a predetermined policy based upon recommendations of an independent third party and are not affected by any potential or actual conflict of interest of CapWealth.

If CapWealth decides not to follow ISS's recommendation and use CapWealth's discretion in the proxy voting decision, CapWealth must vote portfolio proxies without regard to any other business relationship between CapWealth and the company to which the portfolio proxy relates. CapWealth seeks to ensure that all votes are free from unwarranted and inappropriate influences. When voting proxies, CapWealth must consider the interest of its clients and not its own interests. CapWealth recognizes that potential or actual material conflicts may arise between the interests of CapWealth and its clients that must be properly addressed and resolved before CapWealth votes. To address these concerns, CapWealth's Chief Compliance Officer ("CCO") identifies conflicts of interest and resolves them in order to avoid any impropriety or the appearance of impropriety.

The firm will promptly forward a copy of its complete proxy voting policies and procedures to any client upon request. Clients may also obtain information from CapWealth about how CapWealth voted any proxies on behalf of their account(s). Please contact Ryan Hitt at 615-778-0740, toll-free at 877-262-2650 or via e-mail at [ContactUs@capwealthgroup.com](mailto:ContactUs@capwealthgroup.com) to request a copy of either.

## ITEM 18: FINANCIAL INFORMATION

### **BALANCE SHEET**

CapWealth does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, CapWealth is not required to provide a copy of the Firm's Balance Sheet from the most recent fiscal year-end.

### **FINANCIAL CONDITION**

As an RIA, CapWealth is required to provide clients with certain financial information or disclosures about our financial condition. CapWealth does not have any financial commitments that impair its ability to meet its contractual and fiduciary commitments and the firm has not been the subject of any bankruptcy proceeding.

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

CapWealth is registered with the SEC. Therefore, it is not considered a state-registered adviser and this section is not applicable.