CAPITAL INVESTMENT ADVISORY SERVICES
INTEGRITY • INDEPENDENCE • INNOVATION

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March 21, 2018

This Brochure provides information about the qualifications and business practices of CAPITAL INVESTMENT ADVISORY SERVICES, LLC. If you have any questions about the contents of this Brochure, please contact us at (919) 831-2370.

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.

CAPITAL INVESTMENT ADVISORY SERVICES, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about CAPITAL INVESTMENT ADVISORY SERVICES, LLC is also available on the SEC's website at www.advisorinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This Brochure, dated March 21, 2018 includes the following changes since our last annual update, which was dated March 31, 2017.

March 21, 2018

4. B. **Types of Advisory Services**
The firm added third-party separate account manager programs to the advisory services currently offered to clients.

February 14, 2018

5. B. Direct Billing of Advisory Fees
The firm added disclosure related to advisory fees being adjusted for the value of inflows and outflows of more than 5% of the fair market value of the account during the previous quarter.

5. D. Required Advance Payment of Fees
The firm clarified the conditions under which unearned advisory fees will be refunded.

September 25, 2017

10. D. Recommendation of Other Investment Advisers
The firm added disclosure about the recommendation to clients to use the services of an affiliated advisor and its potential additional compensation through dividends.

12. A. Selection of Broker-Dealers
The firm added disclosure about recommendations to transfer your account from one custodian to another and that the receiving custodian may reimburse directly to the client certain termination fees charged by the terminating custodian.

August 24, 2017

12. A. Selection of Broker-Dealers
The firm added disclosures related to conflicts of interest associated with the use of Capital Investment Group, Inc. and Capital Investment Brokerage, Inc., both affiliated broker dealers of the firm. Capital Investment Advisory Services, LLC may recommend use of one of its affiliated brokers, including a trading and custodial arrangement with their clearing broker and custodian, Pershing LLC. When a client elects to use one of the affiliated brokers, there are financial benefits to the affiliates.

Our complete Brochure may be requested by contacting Ronald L. King, Chief Compliance Officer at (919) 831-2370 or cic-compliance@capital-invest.com.

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ITEM 4 – ADVISORY BUSINESS

4.A. Advisory Firm Description

Founded in 2008, Capital Investment Advisory Services, LLC ("CIAS") is an investment advisory firm, based in the southeastern United States, which provides portfolio management and supervisory services. Richard K. Bryant is the President.

4.B. Types of Advisory Services

CIAS provides several types of investment advisory services, as follows:

Portfolio Management and Advisory Services

Separately Managed Accounts

Such accounts are individualized and separately managed, which enables the CIAS Investment Adviser Representative to analyze a client's pertinent information and objectives and develop a plan to manage their assets. The analysis and plan is discussed with the client and the investment of the account assets are administered on a continuous basis. Clients may impose investment restrictions on specific securities or types of securities.

Third-party Asset Management Programs

CIAS may advise a client in selecting the use of third-party discretionary managed portfolio programs, which may include Turnkey Asset Management Platforms ("TAMP") and model portfolio marketplaces. While the programs are not sponsored by CIAS, they are made available to the firm's clients as an investment option. In these programs, a third-party sponsor provides access, for CIAS clients, to a selection of separately managed account (SMA) strategies, which are managed by third-party separate account investment managers. In all cases, the selection of a program and subsequent third-party separate account investment manager(s) is solely the client's choice.

The fees, terms and conditions of these arrangements may vary and contact between the sponsor, separate account investment manager(s) and clients, will typically take place through the CIAS Investment Adviser Representative. The strategies offered within a program may assess a wrap fee. In a wrap fee account, the investment management and trading expenses are combined into a single asset-based fee (bundled) and assessed by the third-party sponsor. The contract for a third-party separate account program supplements any investment advisory agreement between CIAS and the client, sets forth the fees that will be assessed by the program, and describes the total fees received by CIAS from such program. CIAS shall receive only those stated fees and no other compensation.

Sub-Advised Accounts/Dual Contract

Clients may, from time to time, use other investment firms to sub-advise accounts (Sub-adviser). In such cases, the Sub-adviser would provide discretionary investment advice for the accounts. The terms and conditions of these arrangements may vary and contact between the Sub-adviser and such clients will typically take place through the CIAS Investment Adviser Representative. Accounts that are managed on a sub-advisory basis may be able to impose certain restrictions on the management of their accounts.

Referrals to Third-Party Advisers

In certain cases, CIAS may recommend, or solicit, the portfolio management services of outside managers. While the accounts are not managed by CIAS, a referral or solicitation fee is received. A solicitor's disclosure document, which provides details about the arrangement, is provided to the client prior to the execution of any agreement.

Portfolio Model and Advisor Update Services

CIAS directly assists its investment advisory representatives in developing private-labeled mutual fund and ETF portfolios. These portfolios may include the development of a mix of risk or objectives-based model portfolios. Model portfolios typically provide asset allocation guidance and recommendations regarding the selection of mutual and exchange traded funds. CIAS provides ongoing information to its investment advisory representatives on the model allocations and funds selected. As changes are recommended, each investment advisory representative and their client are free to follow and implement the changes in the client's own investor accounts, or not implement the changes. Most clients make the changes since not doing so would disrupt a model's construction.

Financial Planning Services

CIAS may provide fee-based financial planning services, which generally begin with extensive data gathering and defining the economic goals the client wishes to obtain. CIAS may analyze the client's present financial situation, including but not limited to a review of assets and liabilities; current and projected income; and any existing investment portfolio, if appropriate. CIAS will then provide a written or verbal analysis and plan for managing the assets. This analysis will consider the needs and objectives of the client and suggest appropriate investment strategies consistent with these needs and objectives. CIAS may provide advice on issues relating to income, investments, retirement planning, college funding, tax planning, estate planning, securities, risk management issues, and business issues. Information gathered for review and assessment may include: wills, trust agreements, fringe benefit programs (explanation of and current status), tax returns, business agreements, insurance policies and programs (including life, disability and medical), past and current investments (including cost basis, present value, purpose of investments and tax ramifications), investment objectives, income, expenses, obligations, financial goals, names and relationships of other advisors (e.g., attorney, accountant, banker, etc.), family background and composition, and circumstances which may have an affect based upon the information provided by the client.

Portfolio Review Services

Included in these services may be the preparation of various financial statements and projections, the formulation and presentation of investment recommendations, coordination with other advisers, ongoing monitoring of a client's progress toward reaching their financial goals, and consultations or other communications with the client.

4.C. Client Investment Objectives/Restrictions

Our investment advisory services are tailored to meet the financial objectives of each individual client. This is accomplished by analyzing the client's pertinent information, including consideration of investment objective, time horizon, risk tolerance, investment guidelines, and any other factors deemed relevant. Clients are able to impose trading restrictions in certain securities or types of securities. Clients wishing to set investment restrictions should provide instructions in writing.

4.E. Assets Under Management as of December 31, 2017:

Discretionary	$502,623,958.00
Non-Discretionary	$ 29,448,980.00
Total AUM	$532,072,938.00

ITEM 5 – FEES AND COMPENSATION

5.A. Adviser Compensation

Fee Schedules

CIAS's fees are described generally below and detailed in each client's advisory agreement or applicable account.

Portfolio Management and Advisory Services

Separately Managed Accounts
CIAS's basic fee schedule for portfolio management and advisory services is typically 2% annually. This fee is calculated as a percentage of assets under management and represents the maximum fee that could be assessed. Notwithstanding the foregoing, CIAS reserves the right, in its sole discretion, to reduce advisory fees for certain accounts based on the client's particular needs, as well as overall financial condition, goals, risk tolerance, and other factors unique to the client's particular circumstances.

Fee schedules for employee benefit plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA") may be negotiated with the Plan Administrator and set at a flat dollar amount per year. This flat fee may be based on the requested services, size of the plan, provisions in the Investment Policy Statement, number of employees, etc. However, this flat fee would not exceed 2% annually of the plan assets.

Sub-Advised / Dual Contract Accounts
Fee schedules for clients participating in sub-advisory or dual contract programs may be separately negotiated with the relevant client or intermediary. Such fee schedules are often, but not necessarily, based on the basic annual fee schedule for separate account clients, detailed above; 2% annually (maximum), which may be negotiable, depending on the factors noted. For instance, the basic (initial) rate may be lower than that applied to separate account client accounts and one or more breakpoints may not apply. As a result, lack of, or differing, breakpoints may result in sub-advisory or dual contract clients paying more or less than a separate account client.

Other Third-Party Management Services
Fee schedules for clients participating in Turnkey Asset Management Platforms (TAMP) are clearly indicated on the account documentation of the TAMP provider. The TAMP provider may or may not charge a fee, depending on the program type. However, in most cases, the fee schedules are negotiated and agreed upon by the client and adviser. Additional transactional costs and/or custodial costs may be charged by the clearing/custodial firm/TAMP provider, in addition to the negotiated advisory fees. However, in no instance should the total combined advisory fee exceed 2%.

Portfolio Review Services

Portfolio Review Services are billed at a mutually agreed upon rate using one of four options:

- Fee basis (min $500 - max $2,500)
-
- Hourly basis (hourly fee not to exceed $250/hour)

- Commission basis (not to exceed 2%)

- Other Fee arrangement

Clients select the option including the agreed upon respective rate when executing an advisory agreement with CIAS. These fees are payable upon completion of the work and they are negotiable.

Financial Planning Services

Financial Planning Services are billed at a mutually agreed upon rate using one of two options:

- Fee basis (min $500 - max $2,500)

- Hourly basis (hourly fee not to exceed $250.00/hour)

Clients select the option including the agreed upon respective rate when executing an advisory agreement with CIAS. These fees are payable upon completion of the work and they are negotiable.

5.B. Direct Billing of Advisory Fees

Portfolio Management and Advisory Services

Investment advisory fees are generally billed in advance, on a quarterly basis, in accordance with the stated fee schedule provided in the Investment Advisory Client Contract. Fees are typically calculated based upon the fair market value of the client's assets under management, as of the end of the previous month. Advisory fees will also be adjusted for the value of inflows and outflows of more than 5% of the fair market value of the account during the previous quarter. Certain accounts may have other calculation and/or billing cycles. In some instances, fees may be calculated by a third-party and forwarded to CIAS. Once received, the fees are reconciled by CIAS, to the client account, for accuracy.

We request, with appropriate authorization, that advisory fees be paid via our firm invoicing the custodian and the custodian debiting the client's accounts and remitting such fees to our firm; however, we do permit payments by check. Any advisory fees directly deducted from the account will be clearly indicated on the client's statement provided by the custodian. A client may also elect to have fees for more than one advisory account deducted from a single account.

Fees will be due and payable upon receipt of such invoices. In the event that the an account becomes more than ninety (90) days delinquent, CIAS may, at its option, debit the client's account in the amount of fees then due and owing and/or terminate the account relationship.

In either the case of assets held with insurance companies in variable annuity contracts, or accounts held by a 401(k) provider, a client may also be offered investment advisory services through a third party money manager on a fully-disclosed basis. If a client elects to utilize the services of the third party money management firm, they will pay a separate fee to the manager which may, in turn, pay CIAS a portion of the fees collected from the client.

Hourly or fixed fees for Portfolio Review Services or Financial Planning Services are due upon completion of the work.

5.C. Other Non-Advisory Fees

CIAS's fees are exclusive of transaction fees and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Annuities also charge internal management fees, as disclosed in the contract with the annuity company. Such charges, fees and commissions are exclusive of, and in addition to, CIAS's fee.

Some clients may pay trading costs or commissions, which may be paid to an affiliated broker of CIAS.. Please refer to Item 10 and Item 12 for additional information regarding the brokerage practices of CIAS.

5.D. Required Advance Payment of Fees

Advisory agreements are typically terminable by the client upon prior written notice to CIAS, as specified in the relevant agreement and terminable by CIAS, generally upon 30 days' prior written notice to the client. In the event an advisory contract is terminated prior to the conclusion of a billing period, upon receipt of the 30 days' prior written client termination notification, CIAS will refund to the client any unearned fees charged for the pro-rata period after the stated date of termination on the client's written notice. Any unearned fee of $20.00 or less will not be refunded.

5.E. Compensation for Sale of Securities or Other Investment Products

Investment Adviser Representatives of CIAS are also registered representatives with Capital Investment Group, Inc. ("CIG") or Capital Investment Brokerage, Inc. ("CIB"), affiliated broker/dealers. In the capacity as a registered representative, an adviser may receive a commission or remuneration in the execution of transactions through CIG/CIB for products such as mutual funds, annuities and Real Estate Investment Trusts ("REIT"). In addition to the initial commission that may be received from the sale of mutual funds or variable annuities, a registered representative may also receive ongoing compensation from the mutual fund or insurance company. Commission schedules and amounts vary by mutual fund or insurance company and related products that are purchased.

This practice may present a conflict of interest as investment adviser representatives may have an incentive to recommend products based on additional compensation. However, advisory personnel should recommend the purchase of no load funds when they are available and the representative believes they can be used to achieve the client's investment objective. When a representative believes that the best option for a client is a product with a sales commission, the fees will be disclosed to the client, as well as the reason for the recommendation.

Clients have the option to purchase investment products that are recommended through other brokers or agents not affiliated with CIAS.

There may be situations in which a variable annuity contract or REIT is recommended by an Investment Adviser Representative of CIAS, and purchased by a client. The Investment Adviser Representative may earn the stated commission and/or receive the ongoing asset based servicing fees, set forth by the annuity company, for the sale of that annuity product or REIT. When a commission is paid for these products, the management fee is waived on those assets. This and other information about investing in variable annuities will be disclosed in the investment advisory agreement and/or applicable point of sale disclosures provided as part of the brokerage relationship between the client and the registered representative of the broker/dealer.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This item is not applicable.

ITEM 7 – TYPES OF CLIENTS

CIAS provides portfolio management services to individuals, corporations, pension and profit sharing plans, trusts, estates, charitable institutions, and foundations.

While there is no minimum account size required, accounts may be subject to a minimum annual fee of $500, which may be negotiable.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

8.A. Methods of Analysis and Investment Strategies

Investment Adviser Representatives will generally review assets and liabilities, current and projected income, and existing investment portfolio, if appropriate. CIAS will then prepare a written or verbal analysis and plan for managing the client's assets. The analysis takes into consideration the needs and objectives of the client and suggests appropriate investment strategies consistent with those needs and objectives. The analysis and plan is discussed with the client and will serve as the basis for the Investment Policy Statement or similar investment guidelines, which govern CIAS's efforts in managing these assets.

The methods of analysis utilized may include:

Charting – the technical study of market trends by analyzing charts based on share price evolutions and traded volumes.

Fundamental – a method of evaluating a security by measuring its intrinsic value by examining related economic, financial and other qualitative and quantitative factors.

Technical - a means of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume, to identify patterns that can suggest future activity.

Cyclical - a form of fundamental analysis involving the process of making investment decisions based on the different stages an industry is at during a given point in time.

Investing in securities involves risk of loss that clients should be prepared to bear.

8.B. Material Risks of Investment Strategies or Methods of Analysis

There can be no guarantee of success of the strategies offered by CIAS. Investment portfolios may be adversely affected by general economic and market conditions such as interest rates, availability of credit, inflation rates, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of security pricing and the liquidity of an investment. These strategies do not employ limitations on in particular sectors, industries, countries, regions or securities. Frequent trading in the portfolios may affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

8.C. Security Recommendation Risks

The investment strategies used by CIAS may involve direct or indirect investments or exposure to equities, corporate debt, municipal securities, U.S. government securities, mutual funds, ETFs, derivatives, variable annuities, certificates of deposit, or real estate investment trusts. Investment in these types of securities involves risk and the potential loss of capital.

Investment in securities involves risk and the possible loss of capital, which clients should be prepared to bear. Equity and fixed income securities have distinct risks, which must be considered when investing. It is also important to keep in mind that past performance of a security is not indicative of future results.

Generally, tax-exempt municipal securities are not appropriate investments for tax-advantaged retirement accounts, such as IRAs and 401(k)s. If you purchase a municipal security as part of a tax-advantaged retirement account, the income or dividends you receive in connection with the investment which may otherwise be tax-exempt, could result in tax implications upon withdrawal. You should consult with your tax advisor regarding tax-advantaged investments and your specific tax situation.

CIAS may also recommend investments in mutual funds. Please refer to the prospectus of any funds that are recommended for risks associated with a particular fund.

Details on some of the potential risks are identified below.

Equity Market Risk – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

Fixed Income Market Risk – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

Management Risk - Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

Small and Mid-Cap Company Risk – Investments in small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and mid-cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

Credit Risk – In some fixed income investments, there is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

Investment Risk of Variable Annuities – Variable annuities involve investment risk. The investment value may fluctuate, including possible loss of the principal amount invested. Annuity payments are guaranteed solely by the financial strength and claims-paying ability of the issuing company. In addition, variable annuities deduct investment division charges (these consist of fund-level expenses and are similar to the charges on traditional mutual funds), as well as annual mortality and expense risk charges ("M&E") and administrative expenses under the annuity contract. Depending on the specific contract, Contingent Deferred Sales Charges (CDSCs) may apply for surrender or withdrawals, based on the number of years the contract has been in force.

Options Risk - We may utilize options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option to certain needs, over-the-counter options generally

involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

REITs. REITs in which the Adviser invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITS depend generally on their ability to generate cash flow to make distributions to investors.

Illiquid Instrument Risk - Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a Client's portfolio.

ITEM 9 – DISCIPLINARY INFORMATION

CIAS has no information applicable to this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

10.A. Registration of Licensed Representatives

Richard K. Bryant, President of CIAS, is a registered representative of Capital Investment Brokerage, Inc., and Capital Investment Group, Inc., registered broker-dealers.

Ronald L King, Chief Compliance Officer of CIAS, is a registered representative of Capital Investment Group, Inc, and Capital Investment Brokerage, Inc., both of which are registered broker/dealers.

Ryan A. Mumy, Chief Investment Officer of CIAS, is a registered representative of Capital Investment Group, Inc., a registered broker/dealer.

The Investment Adviser Representatives of CIAS, while not management persons, may be registered representatives of Capital Investment Group, Inc. or Capital Investment Brokerage, Inc., both of which are registered broker-dealers.

10.B. No Other Registrations

CIAS's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

10.C. Material Relationships or Arrangements

Richard K. Bryant, President of CIAS, is a principal of Capital Advisers, Inc. and Capital Investment Counsel, Inc., both of which are federally registered investment advisers. Mr. Bryant is also a principal of Capital Investment Group, Inc., and Capital Investment Brokerage, Inc., both of which are registered broker-dealers.

Ronald L. King, Chief Compliance Officer for CIAS, also serves as Chief Compliance Officer for Capital Investment Counsel, Inc., , Capital Investment Group, Inc., and Capital Investment Brokerage, Inc.

Brokerage Conflicts of Interest

As licensed registered representatives and insurance agents, there may be situations in which a mutual fund is recommended by an Investment Adviser Representative of CIAS and purchased by a client. CIAS will endeavor to purchase "no load" or "load-waived" shares. However, there may be situations in which the Investment Adviser Representative may earn a commission for the sale of a mutual fund acted upon by the client as part of a recommendation under the Financial Planning or Portfolio Review Services.

There may also be situations in which a variable annuity contract is recommended by an Investment Adviser Representative of CIAS, and purchased by a client. The Investment Adviser Representative may earn the stated commission, set forth by the annuity company, for the sale of that annuity product. When this occurs, the management fee is waived on these assets for the first twelve months of the relationship with CIAS. In addition, the annuity company may pay the Investment Adviser Representative ongoing asset-based servicing fees. The management fee is reduced by the amount of these servicing fees. This and other information about investing in variable annuities will be disclosed in the Investment Advisory Client Contract and/or applicable point of sale disclosures provided as part of the brokerage relationship between the client and the registered representative of the broker/dealer.

In addition to their roles with the registered broker-dealers previously identified, Investment Adviser Representatives for CIAS may be registered representatives of Capital Investment Group, Inc, or Capital Investment Brokerage, Inc. Purchase and sale recommendation information is available to our affiliated broker/dealer at the time of the initial purchase or sale to our clients, if such account is held through the affiliated broker/dealer.

The affiliated broker dealers have clearing and custodial arrangements with Pershing LLC ("Pershing"). As a result of this relationship, there may be financial incentives paid from Pershing to the affiliated broker dealers. Certain of these incentives are intended to reimburse client accounts for some of the costs associated with moving an account to Pershing. There is also an annual payment to the affiliated broker dealers, which is designated for business development. Additionally, they received a one-time incentive to move their clearing arrangement to Pershing. Finally, the affiliated broker dealers receive a portion of the ticket charge related to trading costs. Please see Item 12.3 for additional information.

10.D. Recommendation of Other Investment Advisers

While CIAS may recommend advisers or direct client assets to be invested through unaffiliated advisers, no additional compensation is received by CIAS or its Investment Adviser Representatives other than management fees as disclosed in the advisory agreement or other disclosure documents.

CIAS may recommend the services of an affiliated advisor, Capital Investment Counsel, Inc. (Counsel). Counsel is affiliated with two brokerage firms (Capital Investment Group, Inc. and Capital Investment Brokerage, Inc.) and two investment advisory firms (Capital Investment Advisory Services, LLC and Capital Advisers, Inc.). All entities share common ownership and are considered part of Capital Investment Companies. All shareholders, including employees of Counsel, may receive dividends from the companies periodically. Counsel may receive additional compensation through its affiliation with the broker dealers Capital Investment Group, Inc. and Capital Investment Brokerage, Inc.

ITEM 11 - CODE OF ETHICS

11.A. Code of Ethics Document

CIAS has developed policies and practices, including a Code of Ethics ("Code"), to adhere to best practices and address potential conflicts of interest that may arise. The Code provides for, among other things: 1) the review and reporting

of personal securities transactions by access persons; 2) prompt reporting of any violation of the Code; 3) recordkeeping and supervisory aspects pertaining to the Code; 4) confidentiality of client information, and; 5) general standards of ethical business.

A basic tenet of CIAS's Code is that the interests of clients are always placed first. The Code includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. All access persons are required to contact CIAS's Chief Compliance Officer, or his designee, in order to pre-clear personal securities transactions in specified securities, including IPOs and limited offerings.

The Code also requires that all covered persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts and provisions intended to prevent violations of laws prohibiting insider trading.

A copy of the Code is available to any client or prospective client upon request.

11.B. Recommendations of Securities and Material Financial Interests

CIAS has no information applicable to this Item.

11.C. Personal Trading

CIAS recommends securities to clients in which its advisers may have positions. This is not done to influence stock or bond prices, but to demonstrate that the advisers may purchase stocks, bonds, and other products for clients they would also purchase for themselves.

11.D. Timing of Personal Trading

The Code of Ethics requires Investment Adviser Representatives to place the interests of clients ahead of their personal interests and act accordingly when placing trades in their own accounts.

ITEM 12 – BROKERAGE PRACTICES

12.A. Selection of Broker-Dealers

Discretionary Accounts

CIAS will generally suggest that a client use one of several broker/dealers with which it believes the services offered are mutually beneficial to the client and the Investment Adviser Representative servicing the account. These services may include reporting, trading functionality, customer service, mutual fund choices, outside manager selection and other features that allow CIAS to fully service the client.

CIAS may recommend that a client utilize one of our affiliated broker/dealers, Capital Investment Group, Inc. or Capital Investment Brokerage, Inc., due to the efficiency of trading and account information systems. A client can request to utilize the broker/dealer of their choice. Commissions for trading through an affiliated broker/dealer generate revenue or cover costs for the affiliate. Commission rates may be negotiable.

CIAS may also recommend that you transfer your account from one custodian to another, if it believes that it can provide better investment management services related to your account. When effecting a transfer of assets, it is common for the custodian that is being terminated to charge fees for the transfer. CIAS has agreements with certain custodians, including Charles Schwab and TD Ameritrade, to reimburse these fees directly to the client. CIAS does not receive a financial benefit from this reimbursement agreement.

CIAS's objective in broker/dealer selection for portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

Although CIAS generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. CIAS believes that paying fair and reasonable commissions to broker-dealers, in return for quality execution services and useful research, benefits clients. Moreover, transactions that involve specialized services on the part of the broker-dealer will usually result in higher commissions or other compensation to the broker-dealer than would be the case with transactions requiring more routine services. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, and other assistance to CIAS in providing investment management to clients. Recognizing the values of these factors, CIAS may pay a brokerage commission in excess of what another broker, who offers no research services and minimal securities transaction assistance, might have charged for effecting the same transaction. CIAS regularly evaluates the placement of brokerage and the reasonableness of commissions paid. In this connection, CIAS makes a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services received, viewed in terms of either the specific transaction or CIAS's overall responsibility to its clients. However, the extent to which commission rates or net prices charged by brokers reflects the value of these services often cannot be readily determined.

1. **Research and Other Soft Dollar Benefits** – CIAS does not participate in soft dollar practices and the decision to recommend one of our affiliated broker/dealers is not based on any research received from them for directing executions or maintaining assets at the broker/dealer.

2. **Brokerage for Client Referrals** – CIAS does not direct trade execution to broker/dealers in exchange for client referrals received from them.

3. **Directed Brokerage** –

a. CIAS will typically recommend a broker/dealer and custodian to clients. This is generally a function of the individual IAR managing the account and his or her preference for trading and custodian platforms. This recommendation may include Capital Investment Group, Inc. or Capital Investment Brokerage, Inc., both of which are affiliated brokers. These affiliated broker dealers have a clearing and custodial arrangement with Pershing. Pershing provides financial benefits to the affiliates, which include business development incentives as well as a portion of the ticket charge. As a result of this clients may pay more in trading costs than they would by using another broker dealer. However, CIAS has policies and procedures to ensure that these costs are reasonable and it believes that by using the affiliated broker dealer, it may be able to provide better service in some situations.
b. Clients are permitted to direct their brokerage to a firm of their choosing, but Clients, who, in whole or in part, direct CIAS to use a particular broker-dealer to execute transactions for their accounts should be aware that, in so doing, they may adversely affect CIAS's ability to provide best execution.

<u>Non-Discretionary Accounts</u>

Portfolio Review, Dual Contract and Financial Planning Services are usually offered on a non-discretionary basis. In most cases, assets remain at a broker dealer and clearing firm in which the Investment Adviser Representative does not have discretionary access. Clients have the option to choose their own broker dealer and clearing firm. Recommendations and advice may be provided, but must be implemented by the client and/or their correspondent.

12.B. Aggregation of Orders

In an effort to provide fair treatment for their clients, when an Investment Adviser Representative purchases or sells the same security for multiple accounts on a given trading day, they will endeavor to aggregate such transactions, in a manner designed to ensure that no client or account is materially favored over others over time.

CIAS may aggregate trades in one of two methods:

1. Bunched Orders – Transactions are submitted for execution simultaneously and orders execute at, or very near, the same price. The commission rates charged by the executing broker/dealer may be higher than those obtained in the marketplace on like transactions.

2. Blocked Trades – Transactions may execute over an extended period of time, but shares are allocated to client accounts at an average price.

Investment Adviser Representatives managing accounts across multiple brokerage and custodial platforms will endeavor to treat all clients fairly. In general, the firm will use a broker rotation, which means that on each day when there is trading through more than one custodian, the Investment Advisor Representative will aggregate trades for each custodian and then execute them in a pre-determined order. Over the course of time, all clients should have similar opportunities to trade earlier in the rotation.

ITEM 13 – REVIEW OF ACCOUNTS

13.A. Periodic Review of Accounts

Each Investment Adviser Representative will review his or her discretionary portfolio management accounts, at a minimum, on a quarterly basis.

13.B. Non-Periodic Review of Accounts

The Investment Adviser Representative may review accounts, more frequently than quarterly, based on triggering events, such as changes in client objectives, financial conditions, economic events, changes in assets under management, or in a client's personal situation.

13.C. Client Reports

Clients receive statements, at least quarterly, detailing all holdings and activity including management fee deductions from the brokerage firm that has custody of their assets or from the sponsor of a variable annuity when applicable.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

14.A. Compensation from Non-Clients

CIAS does not currently receive compensation from non-clients.

14.B. Referral Arrangements

CIAS may have referral arrangements with organizations whose goals and objectives are similar to CIAS's. Such organizations may be law firms, accounting firms, financial planning firms or any other similar organization. To the extent that CIAS pays or receives cash referral fees from Advisers for which it solicits business, the referral agreements and related activities will be in compliance with Rule 206(4)-3 under the Advisers Act. Rule 206(4)-3 specifies certain standards that must be met by an investment adviser prior to the payment or receipt of a cash fee, directly or indirectly, for a client solicitation or referral. All fee sharing arrangements will be disclosed to the client and CIAS's fee will remain the same regardless of whether a fee is paid.

ITEM 15 – CUSTODY

CIAS does not custody client funds and securities. All assets are held at financial institutions selected by the firm unless the client selects an alternative firm institution.

At a minimum, statements are furnished quarterly to the client by the brokerage firm, as the custodian, which holds and maintains clients' investment assets, and executes transactions. Some clients may also receive statements from CIAS, and recipients of these statements should carefully review them and compare to statements of the custodian. Please report any inconsistencies to us.

ITEM 16 – INVESTMENT DISCRETION

CIAS usually receives discretionary authority from the client, at the outset of an advisory relationship, to select the identity and amount of securities to be bought or sold, as well as commission rates paid by the client. By executing the Investment Advisory Client Contract, CIAS is granted limited discretionary authority by the client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, CIAS observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, CIAS's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

ITEM 17 – VOTING CLIENT SECURITIES

It is the policy of CIAS to generally not vote proxies. In certain circumstances, CIAS may vote proxies, where indicated in client agreements. In those cases, CIAS votes proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, CIAS considers factors that it believes relate to the client's investment(s) and factors, if any, that are set forth in written instructions from the client.
In general, CIAS believes that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, CIAS generally votes **for**:

- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that CIAS believes may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

CIAS will generally vote **against** any proposals that it believes will have a negative impact on shareholder value or rights. If CIAS perceives a conflict of interest, the policy is, depending on the circumstances, one of two courses of action:

- the IAR will notify affected clients so they may choose the course of action they deem most appropriate, or;
- the IAR will consult with the CCO, who may, in turn, consult with the Proxy Voting Committee, so that the conflict can be considered and course of action regarding voting the proxy, can be determined.

ITEM 18 – FINANCIAL INFORMATION

18.A. Advance Payment of Fees.

CIAS does not require or solicit prepayment of more than $1,200 in fees per client, six months or more in advance.

18.B. Financial Condition

CIAS has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients.

18.C. No Bankruptcy Proceedings

CIAS has not been the subject of a bankruptcy proceeding.