

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

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



**Firm IARD/CRD #: 113776**

**Bay Capital**

REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Bay Capital, which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Bay Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Bay Capital has attained a certain level of skill or training.

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BROCHURE  
DATED

**1**  
**JANUARY**  
**2020**

## MATERIAL CHANGES

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ITEM 2

SEC Rule 204-3(b)(2) allows us to provide you with a summary page of Material Changes in lieu of sending out our entire Disclosure Brochure. If you are being offered this Material Change page as a separate piece from our Disclosure Brochure and you have questions about these summary disclosures or would like a current copy of our Disclosure Brochure to review, **you may contact us, and a current, complete Disclosure Brochure will be sent free of charge.**

### Investment Programs

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We have modified the fee schedules under each of our Investment Programs to reduce the number of tier breaks and to simplify our billing process. We are no longer billing based upon the weighted total of your account value, but are now calculating your fee based on the aggregate market value and where it falls in the tier billing schedule for each Investment Program. Also, we are no longer offsetting our management fees with the 12(b)-1 fees we can earn from Investment Companies when purchasing mutual funds for your account. Our focus is to use Institutional Class Shares where possible. **These changes will not cause your management fees to increase; we are only simplifying the management process to better serve you.**

Please see our Disclosure Brochure under “Investment Programs” in Item 5, “Fees & Compensation” for all the changes.

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### BAY CAPITAL

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**This brief is being provided to you as a summary of what has been fully disclosed in our Disclosure Brochure dated January 1, 2020. The information contained on this Material Change page has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.**

**TABLE OF CONTENTS**

**ITEM 3**

<b>ITEM 4</b>	<b>Advisory Business</b>	<b>4</b>
	Who We Are	4
	Assets Under Management	4
	What We Do	4
	How We Get to Know You	5
<b>ITEM 5</b>	<b>Fees &amp; Compensation</b>	<b>5</b>
	Investment Programs	5
	Investment Program Protocols	7
<b>ITEM 6</b>	<b>Performance-Based Fees &amp; Side-By-Side Management</b>	<b>9</b>
<b>ITEM 7</b>	<b>Types of Clients</b>	<b>9</b>
<b>ITEM 8</b>	<b>Methods of Analysis, Investment Strategies &amp; Risk of Loss</b>	<b>9</b>
	Methods of Analysis	9
	Investment Strategies	10
	Managing Risk	10
<b>ITEM 9</b>	<b>Disciplinary Information</b>	<b>11</b>
<b>ITEM 10</b>	<b>Other Financial Industry Activities &amp; Affiliations</b>	<b>12</b>
	Brokerage & Insurance Company Activities	12
<b>ITEM 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions &amp; Personal Trading</b>	<b>12</b>
	Code of Ethics	12
	Client Transactions	13
	Personal Trading	13
<b>ITEM 12</b>	<b>Brokerage Practices</b>	<b>13</b>
	Custodial Services	13
<b>ITEM 13</b>	<b>Review of Accounts</b>	<b>14</b>
<b>ITEM 14</b>	<b>Client Referrals &amp; Other Compensation</b>	<b>14</b>
	Referral Compensation	14
	Securities Transactions for Compensation	15
<b>ITEM 15</b>	<b>Custody</b>	<b>15</b>
	Management Fee Deduction	15
<b>ITEM 16</b>	<b>Investment Discretion</b>	<b>16</b>
	Securities & Amount Bought or Sold	16
<b>ITEM 17</b>	<b>Voting Client Securities</b>	<b>16</b>
<b>ITEM 18</b>	<b>Financial Information</b>	<b>16</b>
<b>ITEM 19</b>	<b>Requirements for State-Registered Advisers</b>	<b>16</b>

**BROCHURE SUPPLEMENTS**

**ADVISORY BUSINESS**

ITEM 4

**Who We Are**

Bay Capital (hereinafter referred to as “Bay Capital,” “the Company,” “we,” “us,” and “our”) is a full-service registered investment advisor<sup>1</sup> organized in March of 1992 as a Sole Proprietor. We offer a wide range of financial management services designed to assist you, our client<sup>2</sup>, in achieving your financial goals.

**Owners**

The Company is organized as a Sole Proprietor controlled by:

Name	Title	CRD#
Stephen Mark Cooper	Owner & Chief Compliance Officer	1306622

**Our Mission**

Our mission is to control investment volatility through a daily focus on risk management while selectively participating in the exceptional opportunities that the dynamic marketplace offers. Through our emphasis on risk management, preservation of capital is placed on an equal footing with investment return. It is our belief that an active execution of risk management strategies, using efficient investment vehicles, provides a superior risk/reward relationship, especially when compared to traditional, passive investment strategies.

**Assets Under Management**

Our Investment Programs can be managed on either a discretionary or non-discretionary basis. Assets we maintain under advisement are accounts that we have referred to a third-party money manager<sup>3</sup> to independently handle all asset management strategies in your portfolio account(s). As of January 1, 2020, our assets totaled:

Discretionary Accounts.....	\$18,750,142
Non-Discretionary Accounts .....	\$4,935,769
Assets Under Advisement .....	\$0

**What We Do**

**We manage wealth.** We specialize in active asset allocation that combines a technical assessment of short- and intermediate-term market trends that are used to increase exposure in favorable markets and decrease exposure in unfavorable markets. Through multiple programs with different risk/reward characteristics, we can tailor portfolios that match a range of risk tolerances and time-frames. We believe that our approach can best:

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Bay Capital has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the Florida Office of Financial Regulation - and with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.  
<sup>2</sup> A client could be an individual, a corporation and/or small business, another fiduciary, a trust, an estate, a charitable organization and/or any other type of entity structure to which we choose to give investment advice.  
<sup>3</sup> Portfolio assets managed by independent third-party money managers are not included in our “Regulatory Assets Under Management” calculation in our Form ADV Part 1A, Item 5.F unless we have discretionary authority to hire and fire the money managers and reallocate your assets without your prior consent. Therefore, the totals assets under management disclosed in this Disclosure Brochure may not match what is reported in our ADV Part 1A.



- ❖ Take advantage of the changing economic environment
- ❖ Implement the investment strategies best suited to attain your financial goals
- ❖ Reduce the volatility of investment returns based on your risk tolerance
- ❖ Provide liquidity and access to principal that is unusual in a long-term investment

Your portfolio will consist primarily of investments made in investment company products (i.e., open-end mutual funds, exchange traded funds (“ETFs”), closed-end funds (“CEFs”), variable annuities and variable life insurance contracts.

You can find more information about our management fees and services under “Investment Programs” in Item 5, “Fees & Compensation” and further description of our management style under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss”.

## How We Get to Know You

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As a new client, we will have a pre-advisory consultation with you to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience. In addition, we will have you complete a client profile form<sup>4</sup> to gain greater insight into your financial needs.

With the complexity of today’s marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful investment plan. Our meetings with you to discuss your finances will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options
- ❖ Identified areas of greatest importance
- ❖ Developed a strategy for achieving your long-term goals
- ❖ Enhanced peace of mind
- ❖ Created a unique picture of your overall economic framework

Once your investment parameters have been identified, we will recommend an investment strategy that is suitable for your unique investment expectations and risk tolerance.

## FEES & COMPENSATION

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ITEM 5

### Investment Programs

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Matching your defined investment parameters with a portfolio designed to meet your goals and objectives, risk tolerances and time frames is the focus of our Programs. Your managed account(s) may include a combination of the following Investment Programs:

<sup>4</sup> The client profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.

### BC Allocation - Strategic Income Programs

**Objective:** The BC Allocation - Strategic Income Programs are managed income programs that started in January 2012 with goals of earning above-average income and total return. The foundation of these strategies is rotation between broadly different bond categories as a way to both improve income and control risk as market characteristics change. The three distinct strategic income programs with different risk profiles are:

- ❖ Strategic Cash Management (SCM)
- ❖ Strategic Income Conservative (SI-C)
- ❖ Strategic Income (SI)

**Management:** The three BC Allocation - Strategic Income Programs monitor and rank over 100 funds, eliminating under-performing investments and adding those showing superior relative strength, using a rules-based strategy. Strategy highlights:

- ❖ The main investment categories include: corporate, high yield, municipal, mortgage-backed, bank loan and multi-sector, plus short-term Treasury funds on occasion.
- ❖ The fund universe monitored includes bond sectors/strategies that tend to have higher yields when compared to the benchmark.
- ❖ Multiple positions may be held, in unequal weightings, based on a fund’s risk statistics, with holding periods of months to years.
- ❖ The strategies can be tailored to a client's risk tolerance.
- ❖ Suitable for retirement income or as a diversification for bond or stock portfolios.

We pay close attention to the macro-economic trends, credit quality, interest rates and general economic conditions. In addition to striving to be invested in the strongest categories, we also have the option to shorten maturities or to move to the safety of short-term bond funds or Treasury funds in periods of broad market weakness.

**Account Minimum:** \$100,000

**Fee Schedule:**

Account Value	Annual Fee <small>Not to Exceed</small>
Up To \$1,000,000 .....	1.00%
Over \$1,000,000 .....	0.75%

**Key Benefits:** Bond market returns with below-average risk

### BC Select Advisors - Moderate Allocation Program

**Objective:** The BC Select Advisors - Moderate Allocation Program has an investment objective of moderate growth. This Program primarily seeks to invest in stock, bond and sector mutual funds. Varying asset classes may be added to construct a “portfolio of portfolios.” At times, mutual funds are exchanged to money market mutual funds or bond funds in times of market weakness, based on disciplined rules-based strategies.

**Management:** With the BC Select Advisors - Moderate Allocation Program, we select independent third-party managers that conform to strictly objective, rules-based strategies whose goals mirror and complement other Bay Capital strategies. The manager selection process is based on: (i) investment style and performance; (ii) complementary allocation with other managers in the Program; (iii) volatility and the managers’ ability to perform their assigned skill within different market trends. The weighting for different managers, including the addition and removal of managers, occurs as the individual manager’s performance dictates.

**Account Minimum:** \$100,000**Fee Schedule:**

Account Value	Annual Fee Not to Exceed
Up To \$1,000,000 .....	2.00%
Over \$1,000,000 .....	1.75%

**Key Benefits:** Moderate growth return expectation with below-average risk.**BC Select Advisors - Growth Program**

**Objective:** The BC Select Advisors - Growth Program has an investment objective of growth. It is a strategy designed to maximize risk-adjusted returns in both bull and bear market cycles and to provide a low correlation to a traditional growth portfolio. This strategy may be more aggressive because of the possible use of leveraged mutual funds. Portfolios could theoretically be net long market indexes by as much as 110% in the rare situation when all of the Select Advisor strategies are signaling to be fully invested concurrently and were fully leveraged. Historically, this has been rare, but it has occurred and will probably occur in the future for short periods of time. This factor **increases risk and should be considered before investing in this Program.**

**Management:** With the BC Select Advisors - Growth Program, we may select independent third-party managers. The manager selection process is based on: (i) investment style and performance; (ii) complementary allocation with other managers in the Program; (iii) levels of volatility and the managers' ability to perform their assigned skill within different market trends. The weighting for different managers, including the addition and removal of managers, occurs as the individual manager's performance dictates. Outside managers are compensated based on the total Program's assets that we have allocated to that manager, ranging between 0.50% and 1.00% of assets annually.

**Account Minimum:** \$100,000**Fee Schedule:**

Account Value	Annual Fee Not to Exceed
Up To \$1,000,000 .....	2.25%
Over \$1,000,000 .....	2.00%

**Key Benefits:** Both tactical and sector allocation strategies that can provide non-correlated returns including the ability to benefit from falling as well as rising markets. This strategy has the ability to completely exit the market in periods of weakness and to be aggressively long when markets are moving higher.**Investment Program Protocols**

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) your bill for investment services; (ii) withdrawing funds from your account(s); (iii) other fees charged to your account(s); and (iv) account termination.

**Discretion**

We will establish discretionary trading authority on all management accounts to execute securities transactions at any time without your prior consent or advice.

You may however, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude



the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

### Billing

Each of the above Programs is managed on an asset-based fee arrangement. We retain **discretion to negotiate the management fee** listed under each Program strategy on a client-by-client basis.

Management fees are calculated based on the **aggregate market value** of your account on the last business day of the previous calendar quarter multiplied by one-fourth the corresponding annual percentage rate (e.g.,  $2.25\% \div 4 = 0.5625\%$ ).

Your account will be billed quarterly **in arrears** based on the fair market value of the assets in your account. **For new managed** accounts opened in mid-quarter, our fee will be a prorated calculation of your assets managed for the quarterly period. Contributions to or withdrawals from your account made during the calendar quarter will be prorated.

Advisory fees will be deducted from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

### Fee Exclusions

The fees indicated above under each of our Investment Programs are exclusive of any charges imposed by the custodial firm including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the investment company. These expenses generally include management fees and various fund expense. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "**Brokerage Practices**".

### Termination of the Investment Program Services

To terminate our Investment Program services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received before the close of business on any business day of the week. We have five (5) business days from the date we receive the written termination to remove you from our allocation programs. Such notification should include the date the termination will go into effect, if not immediate, along with any final instructions on the account (e.g., liquidate the account, finalize all transactions and/or cease all investment activity).



In the event termination does not fall on the last day of a calendar quarter, we will bill your account a pro-rated quarterly management fee based upon the number of days in the quarter that we managed your portfolio. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making all future investment decisions.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

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ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

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ITEM 7

The types of clients that we offer advisory services to are described in “Who We Are,” Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed under each of the “Investment Programs” in Item 5, the “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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ITEM 8

Our advisory services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your investment objectives, time horizon, and risk tolerance to yield an effective investment allocation strategy and then match the strategy with our investment Programs. All of our Programs’ investments are made in investment company products (i.e., open-end mutual funds, exchange traded funds (“ETFs”), closed-end funds (“CEFs”), variable annuities, and variable life insurance contracts.

### Methods of Analysis

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In analyzing securities for inclusion in a portfolio, we will use a combination of analytical techniques to gather information and to guide us in our management decisions.

### Technical Analysis

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Bay Capital has always relied on technical analysis, as opposed to fundamental analysis, as the major tool in managing client portfolios. This is not to say that we discount fundamental factors, but we find that for investing in mutual funds and exchange traded funds versus individual securities, understanding trends in markets and sectors and critical benchmark price levels is more important since we do not invest in individual securities. The use of rules-based and objective strategies allows us to manage with a goal of increasing exposure in rising markets and decreasing exposure in declining trends. Bay Capital strategies and the outside manager(s) that we employ use quantitative, rule-based strategies that can be applied to mutual and exchange traded mutual fund portfolios. All of the strategies that Bay Capital uses are objective and designed to limit risk and capture returns in both the equity and bond markets.

**RISKS** - Technical analysis is charting the historical market data of different stock and bond indexes, taking into consideration current market conditions, to identify intermediate and longer-term trends. Technical analysis focuses on the price movement of a basket of security, trading in the marketplace. This is a tool that strives to adapt to the market based on changing trends. However, no market indicator is absolutely reliable, and your investment portfolio can underperform should the market indicators be incorrect.

## Investment Strategies

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short term gains. Our investment strategies generally incorporate these methodologies:

### Modern Portfolio Theory

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Modern Portfolio Theory (“MPT”)<sup>5</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT are to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

### Asset Allocation

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**Asset allocation is the foundation of any investment strategy that we will incorporate into a portfolio.** Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching potential rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive asset allocation combinations and derivatives that we may use.

## Managing Risk

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The biggest risk to you is the risk that the value of your investment portfolio will decrease due to significant declines in the market. This risk is referred to as the market risk factor, which is made up of four primary risks:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when interest rates on bonds begin to rise, the value (bond prices) begins to drop; and vice versa: when interest rates on bonds fall, the bond values rise.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks, or stock funds, will depreciate due to stock market dynamics, causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in international securities can be affected by changes in exchange rates.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, energy, etc.).

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<sup>5</sup> The “Portfolio Theory” was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950’s and on into the 70’s. Along the way, his theory became known as the “Modern Portfolio Theory”. Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.

The risk factors we have cited here are not intended to be an exhaustive list but are the most common risks your portfolio will encounter. Other risk associated with market risk factor, that we haven't defined, could be political, over-concentration, and liquidity to name a few.

### **Risks Associated with Leveraged and Inverse ETFs**

In addition to the market risk factors we listed above, because, on occasion, we may use leveraged and inverse ETFs, we are making the following disclosures.

Leveraged and inverse ETFs use financial derivatives and debt instruments to generate double or triple the daily performance of an underlying index or asset class; thus, increasing exposure to market swings. Before agreeing to our investment management services, **you should consider the following risk disclosures.** Leveraged ETFs:

- ❖ Are complex products that have the potential for significant loss of principal and are not appropriate for all investors. **Investors should consider their financial ability to afford the potential for a significant loss.**
- ❖ Seek investment results for a short period of time only. The effect of compounding and market volatility could have a significant impact upon the investment returns. **Investors may lose a significant amount of principal rapidly in these securities.**
- ❖ May be more volatile under certain market conditions. **Investors holding leveraged ETFs over longer periods of time should monitor those positions closely due to the risk of volatility.**
- ❖ Are focused on daily investment returns, and their performance over longer periods of time can differ significantly from their stated daily objective. **Investors may incur a significant loss even if the index shows a gain over the long term.**
- ❖ Use a variety of derivative products in order to seek their performance objectives. **The use of leverage in ETFs can magnify any price movements, resulting in high volatility and potentially significant loss of principal.**
- ❖ May suffer losses even though the benchmark currency, commodity, or index has increased in value. **Investment returns of leveraged ETFs may not correlate to price movements in the benchmark currency, commodity, or index the ETF seeks to track.**
- ❖ Some leveraged ETFs may have a low trading volume, which could impact an investor's ability to sell shares quickly.
- ❖ May be less tax efficient. As with any potential investment, an investor should consult with his or her tax advisor and carefully read the prospectus to understand the tax consequences of leveraged ETFs.

Notwithstanding all the risk factors listed above, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

## **DISCIPLINARY INFORMATION**

**ITEM 9**

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Brokerage and Insurance Company Activities

#### Calton & Associates, Inc.

All of our supervised persons are licensed registered representatives (“RRs”) of Calton & Associates, Inc. (“C&A”), a licensed broker/dealer (member FINRA/SIPC), allowing them to sell listed/unlisted securities and investment company and variable insurance products.

Notwithstanding the fact that our supervised persons are licensed registered representatives of C&A, we are solely responsible for all investment management services rendered. The investment management services which we provide are separate and independent of C&A.

#### Independent Insurance Agents

All of our supervised persons are licensed as resident life, health, and variable annuity insurance agents by the State of Florida and may be licensed as non-resident agents in other states. Each agent is licensed to sell insurance-related products and earn commissions from the sale of these products.

For further information on the potential conflicts and economic benefits from these activities, see Item 14, “Client Referrals & Other Compensation” of this Brochure. In addition, more information about our management persons who offer investment advice and their brokerage and insurance activities can be found in their individual “Brochure Supplements.”

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

ITEM 11

### Code of Ethics

As a fiduciary, Bay Capital has an affirmative duty to render continuous, unbiased investment advice, and at all times to act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim - to do right by others. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

## Client Transactions

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We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

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It is against our policies for any of our personnel to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. Stephen M. Cooper, and such investment is not in violation of any SEC and/or State rules and regulations.

### Class Action Policy

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Bay Capital, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

## Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of and not connected in any way to the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative ("RA"), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

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ITEM 12

### Custodial Services

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The Company has established custodial relationships with the following financial institutions:

### **E\*Trade Advisor Services**

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The Company maintains a custodial relationship with E\*Trade Advisor Services (“ETAS”), a commercial bank regulated by the Colorado State Banking Commission. ETAS offers us services which include custody of securities, trade execution, clearance and settlement of transactions.

We have selected ETAS as our primary custodian, based on their competitive fees (ETAS charges a percentage of assets under management for all account services including transactions), their state-of-the-art trading platform (Liberty), and on-line services for account administration and operational support. However, since we do not recommend, suggest or make available a selection of custodians, other than ETAS, best execution may not always be achieved, and you may pay higher fees. There will be no attempt by us to recommend ETAS based solely on the lowest fees available. Your investment needs, their general reputation, trading capabilities, investment inventory, financial strength and our personal experience working with ETAS has been considered, among other items, in suggesting ETAS to you.

### **Calton & Associates, Inc.**

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The Company maintains a custodial relationship with Calton & Associates, Inc. (“C&A”), a registered broker-dealer (member FINRA/SIPC), on a fully disclosed basis through Hilltop Securities, Inc (member FINRA/SIPC), because our supervised persons are licensed registered representatives with C&A.

We are not a subsidiary of ETAS or C&A - except that our supervised persons are registered representatives of C&A and we operate a branch office of C&A. We are solely responsible for investment advice rendered, and advisory services are provided separately and independently of ETAS and C&A.

## **REVIEW OF ACCOUNTS**

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ITEM 13

Our basic service is active portfolio management and each account is reviewed daily in the normal course of market observation by Mr. Stephen M. Cooper or the supervised person over your account. All accounts are reviewed in the context of the investment objectives of our Investment Programs. No individual reallocations are made except in the case of your cash needs. Reallocation is based on the objectives of the Investment Program.

You will receive monthly/quarterly statements from the custodial firm where your account(s) are custodied. Each statement will summarize the specific investments currently held, the value of your portfolio and account transactions.

## **CLIENT REFERRALS & OTHER COMPENSATION**

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ITEM 14

### **Referral Compensation**

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We may directly compensate persons/firms for client referrals, provided that those persons are qualified and have entered a solicitation agreement with us. Under such arrangements, if a solicitor referred you to us, the solicitor will provide complete information on our relationship and the compensation that solicitor will receive should you choose to open an account. In no case will the fee that you pay be higher than it would be if you had dealt directly with us. In



addition, we will adhere to each State's rules and regulations where the solicitor resides prior to entering into any solicitation agreement with that person/firm.

We may also act as a solicitor on behalf of other advisors, where your account would be referred for portfolio management. Under such arrangements, we will provide you a copy of their Disclosure Brochures (Form ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure), which discloses their management policies; such as billing, deposits and withdrawals, fee exclusions, termination, and any other unique advisory costs associated with their service.

### **Securities Transactions for Compensation**

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As mentioned above in Item 10, “Other Financial Industry Activities & Affiliations”, our management persons are licensed Registered Representatives (“RRs”) of C&A. As RRs, they may execute, as a broker, securities transactions for you and earn sales commissions from such transactions. This can be considered a conflict of interest when giving investment advice for a fee on securities product that can be sold for a commission.

However, our supervised persons will **not receive commissions based on securities transactions that occur within the accounts that we manage**. Regardless, in cases where our supervised persons could receive commissions, whether from a security or an insurance product, it is our policy to fully disclose, prior to execution of such transactions, the fact that our supervised person will receive commissions. In no case do supervised persons earn fees or commissions based on routine transactions that are part of the daily management of our programs.

## **CUSTODY**

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ITEM 15

### **Management Fee Deduction**

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We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall be maintained with one of the custodians (i.e.; ETAS or C&A) as mentioned above in Item 12, “**Brokerage Practices.**” We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. To protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ We report to the regulatory authority (the Florida Office of Financial Regulation) having jurisdiction over our advisory practice that we have custody.
- ❖ Your funds and securities will be maintained with a qualified custodian (ETAS or C&A) in a separate account in your name.
- ❖ Authorization to withdraw our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.
- ❖ At the time we notify (ETAS or C&A) to withdraw our quarterly fee from your account, we will send you a quarterly notice itemizing our fee. Itemization includes the formula used to calculate our fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

The custodial firm for your account is required by law to send to you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the

value of your portfolio, and account transactions. You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from the custodian to verify the accuracy and correctness of our reporting.

## INVESTMENT DISCRETION

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ITEM 16

### Securities & Amount Bought or Sold

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We execute an Investment Advisory Agreement with you, which sets forth our authority to buy and sell securities in whatever amounts are determined to be appropriate for your account at our discretion.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

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ITEM 17

We do not vote client proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. Keep in mind we will not advise you in a direction to vote; that ultimate decision will be left to you.

## FINANCIAL INFORMATION

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ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$500. We are not aware of any financial conditions that are likely to impair our ability to meet our contractual commitments to you.

## REQUIREMENTS FOR STATE-REGISTERED ADVISERS

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ITEM 19

Information on each of our principal executive officers and supervised persons can be found in the attached “Brochure Supplements”.

**END OF DISCLOSURE BROCHURE**



## FORM ADV: PART 2B

### BROCHURE SUPPLEMENT



## Bay Capital

4100 W. Kennedy Blvd. Suite 305  
Tampa, Florida 33609

Tel: 813.286.1553  
Fax: 813.286.1526

www.baycapital.com  
info@baycapital.com

### SUPERVISION

Stephen M. Cooper  
Chief Compliance Officer

Phone: 813.286.1553  
e-mail: scooper@baycapital.com

Mr. Cooper is responsible for the regulatory oversight of our advisory practice - ensuring our business activities are compliant with all federal and state regulations and that we are operating in compliance with our written policies and procedures.

His other duties include, but are not limited to: managing the investment activities of the Investment Programs, discussing investment options with clients, and meeting with clients to evaluate financial alternatives.

BROCHURE SUPPLEMENT  
DATED

1

JANUARY  
2020

This Brochure Supplement provides information about Stephen M. Cooper that is an accompaniment to the Disclosure Brochure for our firm, Bay Capital. You should have received both of these together as a complete disclosure packet. If you did not receive our Disclosure Brochure or if you should have questions about this Brochure Supplement for Mr. Cooper, you are welcome to contact us - our contact information is listed to the left.

Additional information about Bay Capital and Stephen M. Cooper is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Stephen M. Cooper

CRD#: 1306622  
Year of Birth: 1949

### EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

#### Education

1971 - University of South Florida: Bachelor of Arts in Economics

#### Licenses

FINRA Exams: Series 7 - General Securities Representative  
Series 24 - General Securities Principal  
Series 63 - Uniform Securities Agent State Law Examination  
Series 65 - Uniform Investment Advisor Law Examination  
Insurance: 2-15 License - Florida Life, Health & Variable Annuity Insurance

#### Business Background

06/1996 - Present.....Calton & Associates, Inc.  
Position: Branch Manager & Registered Representative  
03/1992 - Present.....Bay Capital  
Position: Owner & Chief Compliance Officer

### DISCIPLINARY INFORMATION

There are no legal or disciplinary events to report.

### OTHER BUSINESS ACTIVITIES

Mr. Stephen M. Cooper is a registered representative of Calton & Associates and licensed independent insurance agent. He will receive the normal commissions associated with securities transactions and insurance sales. This creates an incentive for Mr. Cooper to recommend those products in which he will receive a commission. Consequently, the objectivity of the advice rendered could be subjective and create a disadvantage.

To ensure you understand the relationship Mr. Cooper has with these other business, as well as the choices and risks you have in receiving investment advice from Mr. Cooper, the following disclosures are provided to assist you with your decisions:

- Mr. Cooper will not receive commissions associated with any managed accounts maintained with Calton & Associates. However, there are instances where you could request separate brokerage services that are unrelated to your managed accounts. In such cases, Mr. Cooper will receive commissions associated with these separate transactions.
- You are under no obligation to accept Mr. Cooper's recommendation to purchase any insurance products. You are free to choose any independent insurance agent and insurance company to purchase your insurance. Regardless of the insurance agent from whom you select to purchase your insurance, he/she will earn the normal commission from the sale.

Notwithstanding such potential conflicts of interest, Bay Capital strives to act in your best interest and ensure disclosure is properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

### ADDITIONAL COMPENSATION

Mr. Cooper does not receive any economic benefit, sales awards, prizes or bonuses that are based on the number or amount of sales, client referrals, or from opening new accounts.

### REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Mr. Cooper has not been the subject of any arbitration claim, civil litigation, self-regulatory organization/administrative proceeding, or bankruptcy petition at any time during the past ten years.



## FORM ADV: PART 2B

### BROCHURE SUPPLEMENT



## Bay Capital

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Tampa, Florida 33609

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Fax: 813.286.1526

www.baycapital.com  
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### SUPERVISION

Stephen M. Cooper  
Chief Compliance Officer

Phone: 813.286.1553  
e-mail: scooper@baycapital.com

Mr. Cooper is responsible for the regulatory oversight of our advisory practice - ensuring our business activities are compliant with all federal and state regulations and that we are operating in compliance with our written policies and procedures.

His other duties include, but are not limited to: managing the investment activities of the Investment Programs, discussing investment options with clients, and meeting with clients to evaluate financial alternatives.

BROCHURE SUPPLEMENT  
DATED

1

JANUARY  
2020

This Brochure Supplement provides information about Robert D. Davis, Jr. that is an accompaniment to the Disclosure Brochure for our firm, Bay Capital. You should have received both of these together as a complete disclosure packet. If you did not receive our Disclosure Brochure or if you should have questions about this Brochure Supplement for Mr. Davis, you are welcome to contact us - our contact information is listed to the left.

Additional information about Bay Capital and Robert D. Davis, Jr. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Robert D. Davis, Jr.

CRD#: 722322

Year of Birth: 1955

### EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

#### Education

1978 - St. Bonaventure University: Bachelors of Business Administration  
1980 - Duke University: Masters of Business Administration

#### Licenses

FINRA Exams: Series 7 - General Securities Representative  
Series 63 - Uniform Securities Agent State Law Examination  
Insurance: 2-15 License - Florida Life, Health & Variable Annuity Insurance

#### Business Background

06/1996 - Present.....Calton & Associates, Inc.  
Position: Registered Representative  
08/1992 - Present.....Bay Capital  
Position: Associate & Investment Committee Member

### DISCIPLINARY INFORMATION

There are no legal or disciplinary events to report.

### OTHER BUSINESS ACTIVITIES

Mr. Robert D. Davis, Jr. is a registered representative of Calton & Associates and licensed independent insurance agent. He will receive the normal commissions associated with securities transactions and insurance sales. This creates an incentive for Mr. Davis to recommend those products in which he will receive a commission. Consequently, the objectivity of the advice rendered could be subjective and create a disadvantage.

To ensure you understand the relationship Mr. Davis has with these other business, as well as the choices and risks you have in receiving investment advice from Mr. Davis, the following disclosures are provided to assist you with your decisions:

- Mr. Davis will **not** receive commissions associated with any managed accounts maintained with Calton & Associates. However, there are instances where you could request separate brokerage services that are unrelated to your managed accounts. In such cases, Mr. Davis will receive commissions associated with these separate transactions.
- You are under no obligation to accept Mr. Davis' recommendation to purchase any insurance products. You are free to choose any independent insurance agent and insurance company to purchase your insurance. Regardless of the insurance agent from whom you select to purchase your insurance, he/she will earn the normal commission from the sale.

Notwithstanding such potential conflicts of interest, Bay Capital strives to act in your best interest and ensure disclosure is properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

### ADDITIONAL COMPENSATION

Mr. Davis does not receive any economic benefit from sales award and/or other prizes, bonuses that are based on the number of amount of sales, client referrals, or from opening new accounts.

### REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Mr. Davis has not been the subject of any arbitration claim, civil litigation, self-regulatory organization/administrative proceeding, or bankruptcy petition at any time during the past ten years.



## FORM ADV: PART 2B

### BROCHURE SUPPLEMENT



## Bay Capital

4100 W. Kennedy Blvd. Suite 305  
Tampa, Florida 33609

Tel: 813.286.1553  
Fax: 813.286.1526

www.baycapital.com  
info@baycapital.com

### SUPERVISION

Stephen M. Cooper  
Chief Compliance Officer

Phone: 813.286.1553  
e-mail: scooper@baycapital.com

Mr. Cooper is responsible for the regulatory oversight of our advisory practice - ensuring our business activities are compliant with all federal and state regulations and that we are operating in compliance with our written policies and procedures.

His other duties include, but are not limited to: managing the investment activities of the Investment Programs, discussing investment options with clients, and meeting with clients to evaluate financial alternatives.

BROCHURE SUPPLEMENT  
DATED

5

MAY  
2020

This Brochure Supplement provides information about Richard J. Ryder, II that is an accompaniment to the Disclosure Brochure for our firm, Bay Capital. You should have received both of these together as a complete disclosure packet. If you did not receive our Disclosure Brochure or if you should have questions about this Brochure Supplement for Mr. Ryder, you are welcome to contact us - our contact information is listed to the left.

Additional information about Bay Capital and Richard J. Ryder, II is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Richard J. Ryder, II

CRD#: 4773510

Year of Birth: 1971

### EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

#### Education

1994 - The Citadel: Bachelor of Arts in Business

#### Licenses

FINRA Exams: Series 7 - General Securities Representative  
Series 66 - Uniform Combined State Law Examination

Insurance: 2-15 License - Florida Life, Health & Variable Annuity Insurance

#### Business Background

04/2020 - Present.....Calton & Associates, Inc.

Position: Registered Representative

04/2020 - Present.....Bay Capital

Position: Investment Advisor Representative

08/2012 - 05/2020 .....Ryder Capital, Inc.

Position: Managing Director/President

03/2009 - 04/2020 .....Securities Research, Inc.

Position: Registered Representative

### DISCIPLINARY INFORMATION

There are no legal or disciplinary events to report.

### OTHER BUSINESS ACTIVITIES

Mr. Richard J. Ryder, II is a registered representative of Calton & Associates and licensed independent insurance agent. He will receive the normal commissions associated with securities transactions and insurance sales. This creates an incentive for Mr. Ryder to recommend those products in which he will receive a commission. Consequently, the objectivity of the advice rendered could be subjective and create a disadvantage.

To ensure you understand the relationship Mr. Ryder has with these other businesses, as well as the choices and risks you have in receiving investment advice from Mr. Ryder, the following disclosures are provided to assist you with your decisions:

- Mr. Ryder will **not** receive commissions associated with any managed accounts maintained with Calton & Associates. However, there are instances where you could request separate brokerage services that are unrelated to your managed accounts. In such cases, Mr. Ryder will receive commissions associated with these separate transactions.
- You are under no obligation to accept Mr. Ryder's recommendation to purchase any insurance products. You are free to choose any independent insurance agent and insurance company to purchase your insurance. Regardless of the insurance agent from whom you select to purchase your insurance, he/she will earn the normal commission from the sale.

Notwithstanding such potential conflicts of interest, Bay Capital strives to act in your best interest and ensure disclosure is properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

### ADDITIONAL COMPENSATION

Mr. Ryder does not receive any economic benefit from sales award and/or other prizes, bonuses that are based on the number of amount of sales, client referrals, or from opening new accounts.

### REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Mr. Ryder has not been the subject of any arbitration claim, civil litigation, self-regulatory organization/administrative proceeding, or bankruptcy petition at any time during the past ten years.

