

Birmingham Capital Management
Form ADV-III
Customer Relationship Summary (CRS)

The information contained herein is current as of **June 1, 2020**

The U.S. Securities and Exchange Commission has mandated, by SEC Release 34-86032, that Registered Investment Advisors should make available to retail clients (clients that are not institutions) ADV Form III, which is an easy-to-understand summary of the relationship that a client is entering into with an Investment Advisor. The required start date for distribution of this Form III is June 30, 2020.

Birmingham Capital Management is a Registered Investment Advisor under the Investment Advisors Act of 1940, and is subject to oversight by the U.S. Securities and Exchange Commission. Birmingham Capital does not act as a Broker-Dealer. We provide investment advisory services (usually referred to as 'money management') to our clients. This document is intended to provide easy-to-understand information about us and our services, and how you as a prospective client will be offered those services. Additional free and simple tools are available to you to research firms such as ours, and financial professionals, at [Investor.gov/CRS](https://www.investor.gov/crs). This site also provides educational materials about broker-dealers, investment advisors, and investing.

Below are several commonly asked questions about investment advisory services and our comments on what Birmingham Capital provides in these areas.

1. What investment services and advice can you provide me?

We provide investment advice and management to retail investors- individuals who are not institutions. This would include taxable investment accounts, individual IRA's, and other retirement accounts. We are hired by such individuals who want their assets invested primarily in the U.S. equity markets, although we also use fixed income investments from time to time to help meet the client's needs and circumstances. Our primary product is the portfolio management of invested assets, and we generally invest in the securities of well-known companies that are listed on the U.S. stock exchanges.

We design the structure of the portfolio of investments to best suit the needs and risk tolerances of the individual client using specific stocks and fixed income investments. We do not offer index funds nor mutual funds as a part of our services except as they might fit an overall structure. In other words, in your portfolio you would see primarily individual stocks. Only rarely would we use a mutual fund or ETF, and then only as an adjunct to the individual names in the portfolio.

Each client would have your own portfolio of investments that are best suited to your needs. Your assets would not be invested in a mutual fund or ETF except as noted above. Your communication would be directly with the decision-makers. We do participate in wrap fee programs where clients are brought to us by an outside financial advisor, and in those cases we work with your outside advisor through shared communication. But even in those cases you can still communicate with your portfolio manager.

Once a relationship is established, we exercise full discretionary authority to make the investment decisions, but to the best of our ability, we do so consistent with your objectives. If you tell us in writing that you do not wish to invest in certain specific companies or industries, we will incorporate those instructions in our actions in your portfolio. We monitor portfolios continuously and report to our clients as frequently as they desire.

We are happy to discuss with our clients other financial issues that they may want advice on, but we do not hold ourselves out to be experts in other areas outside of investment management. For specific advice on matters such as tax laws, estate planning, insurance, or other financial issues, we advise the use of appropriate accountants, attorneys, or financial planners.

Our new account minimum is generally \$750,000, although there could be exceptions.

Additional and more specific information about Birmingham Capital's services can be found in our ADV Part II (available upon request).

2. Given my financial situation, should I choose an investment advisory service?

The decision to use an Investment Advisor is a very personal decision, but it is best driven by a recognition that your investable assets have reached a critical mass that causes you to realize that a higher level of professionalism is appropriate. We can medicate ourselves if we have a cold, but if things get more serious, we may and should recognize that a medical professional is needed. And so it is with your investments.

Emotional decisions with regard to investments are almost always fraught with impairment, and most people have an almost emotional connection to their investible assets. In such cases it is difficult to make non-emotional decisions. An investment professional can make a more emotionally detached decision on your behalf. In addition, investment professionals are able to devote the time and expertise to a process that individuals usually cannot.

Having said all of that, it is important for an individual investor to understand his or her limitations in terms of letting someone else have an element of control over their money. There are many people who are just not comfortable turning such decisions over to someone else. And in such a case, an outside manager may simply be a source of constant conflict.

So in summary, have you reached the point that your assets and the decision-making needed to employ them are now beyond your own comfort level? Are you emotionally capable of giving someone else an element of control and decision-making on your behalf? If you answered 'yes' to both of these questions, then you are a candidate for investment management services.

3. What fees will I pay for your services?

The only fee you will pay for our services is our investment management fee, which is calculated as a percentage of the market value of the assets we manage for you. We believe this best aligns our interests with yours. Our fee is typically **.75 of 1%** of that market value annually. And we collect that fee in quarterly increments. So if we are managing a portfolio of \$1,000,000 for a client, the annual fee would be \$7,500. And we would collect it (if the market value stayed constant) in four increments of \$1,875 each at the end of each quarter. It can be paid to us directly by you, or you can instruct the account custodian to pay it to us out of your account. In either case you would get a quarterly accounting of the fee so that you will know what is being paid.

If there are commissions on trades we may do in your account, those commissions go to the executing broker and not to us. They are paid out of the proceeds of the trade. There may also be fees paid to the institution or firm that has custody of your assets. We are not allowed by law to have custody, nor can we affect the movement of your funds except to enter trades. Some custody institutions may charge a custody fee, usually less than .10 of 1%.

An exception may exist in the case of wrap fee programs. In those cases, it is common for the sponsoring institution (such as a brokerage firm) to charge one umbrella fee to the client, and our fee would be a part of that larger fee. In such instances, Birmingham Capital has no control over the calculation of that larger fee.

If there is a mutual fund that is used in your account along with other individual investments, the mutual fund fees will be collected by the Fund sponsor and will be reflected in the unit value of the fund. In other words, if a mutual fund was used, you would not see the fees collected by the fund, but they would be collected nonetheless. We generally do not use mutual funds unless specific circumstances make it advantageous to the client because the client in such cases is paying two fees- ours plus what the Fund may charge.

In all the cases described above, please note that you will be paying management or custodial fees and commissions on trades whether your account makes money or not. It is important for you as a client to understand the total range of fees you are paying because in many cases out there in the real world, the cumulative effect of those fees can be substantial.

4. Help me understand how these fees and costs can affect my investments.

All fees come out of the principal value of your assets under management. A typical accounting could look like this: You open an account for \$1,000,000. You would pay Birmingham Capital an annual management fee total of \$7,500 unless the asset value of your account changes. If it goes up, our fee would go up commensurate with that change. Likewise if it goes down. You could also pay commissions if the broker we used to affect trades chooses to charge a commission. Many on-line brokers such as Schwab or E*Trade no longer charge commissions on trades. But if commissions are charged, they are generally not very substantial. If in the course of a year's time there were, say, 20 trades made in such an account, the total commissions paid (assuming a broker is used who charges commissions) would probably not exceed \$1,500. If we add in a custodial charge to the account of .10 of 1%, then the total fees paid from the account for the year would approximate \$9,750. That is approximately 1% of the market value of the account. So if the investments in the account earn a return in excess of 1% for the year, it is now making a positive return for the owner.

5. What are your legal obligations to me when providing or enacting recommendations?

We as a Registered Investment Advisor are legally obligated to abide by all the relevant securities laws that the SEC and the Securities Commission of the State of Alabama are charged with enforcing. And at Birmingham Capital we also strive to abide by the spirit of those laws. We earn fees ONLY from our investment management services, and have no conflicts of interest created by being involved in other aspects of the financial services industry. We abide by a Code of Ethics (which is available upon request) that emphasizes always putting the client's interests ahead of our own. So, **when we act as**

your investment advisor, we will act in your best interests and not put our own interests ahead of yours.

It is certainly possible for money managers to have conflicts of interest with their clients as they work to make money for their clients. As an example, our choice of which broker to use to execute a trade could be influenced to a limited degree by the investment research services that broker may offer. So it may be that we would use a particular broker that charged slightly higher commission than an alternative. But the value we receive for using that broker (good execution plus research services that are exceedingly helpful to our decision making for your account) would justify that decision. On the surface this might appear to create a conflict, but in the big picture, all of our clients are benefitting from the insights we gain by the use of that broker's proprietary research products. We would be happy to discuss with you what any such conflicts might involve and how we seek to minimize or eliminate them.

So, we are going to try to make the best decisions we can on your behalf, but investing in securities markets entails risk of loss, and in the case of equities, the losses can on occasion be substantial. Potential investors are strongly encouraged to recognize that no investment program involving equities can ever guarantee that no losses will occur.

6. How do your professionals make money?

Our professionals are the owners of the firm, and all of the revenues of the firm come from the management fees our clients pay for our services as their money manager. We have no other sources of income, and in particular, no sources of income that are in any way related to our activities as investment advisors. We are not paid to endorse products of any kind, and we are not paid on the basis of whether our portfolios exceed a particular benchmark (often referred to as "incentive fees"). We have no direct or beneficial interest in any other endeavor that could create a conflict. In other words, we are not involved in any way in other organizations that provide products or services to firms such as ours. We do not make more money by increasing the frequency of trading in our clients' accounts. Nor do we get paid by any organization that might sponsor investment products such as mutual funds, so we have no incentive to direct our clients to such products except as it may be in their best interests in order to earn a better investment return.

7. Do you or your financial professionals have legal or disciplinary history?

None of our professionals nor staff have had any instances of legal or disciplinary issues of any kind related to our business. Both prospects and clients are encouraged to visit

Investor.gov/CRS to see the history of both investment professionals as well as management firms in this regard.

8. Who would be my primary contact person should I become a client? Who could I talk to if I have concerns about how I am treated?

As a client, your primary contact would be one of the two owners and investment professionals. Tommy Smith has over 50 years' experience in asset management and is a Chartered Financial Analyst. Tommy is the President of Birmingham Capital and manages about half of the firm's portfolios.

Bill Couchman is also one of the owners and investment professionals. Bill has 45 years' experience and is a Chartered Financial Analyst. Bill manages the other half of the firm's portfolios. Bill is Executive Vice President and Chief Compliance Officer of Birmingham Capital. He would be the primary contact for clients who have concerns about any aspect of the firm's actions or behavior.

If you have additional questions about the advisory services provided by Birmingham Capital, please contact us at:

Birmingham Capital Management

2 Perimeter Park South, Ste. 235 East

Birmingham, AL 35243

205-967-7062

You can request a copy of this Relationship Summary as well as other ADV filings and an information brochure on us. Thank you for your interest in Birmingham Capital Management.