

**Capital Management Services, Inc.**

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**CMS Wealth Management, Strafford Asset  
Management and CMS Third Party Sub-  
Adviser Brochure**  
(Schedule H)

The brochure provides clients with information about Capital Management Services, Inc. and its CMS Wealth Management, Strafford Asset Management, CMS Third Party Sub-Adviser, and their variations that should be considered before one becomes a client of these programs. This information has not been approved or verified by any governmental authority.

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### **Introduction**

Capital Management Services, Inc. (hereinafter referred to as "CMSI") was established as a Registered Investment Adviser in 1986 to provide personalized financial services and investment advice. CMSI is registered with the Securities and Exchange Commission.

CMSI provides services to individual, corporate and institutional clients such as pension or profit sharing plans, trusts, estates, and charitable organizations. Key focus areas include: asset management, financial planning, tax and estate planning, and concentrated stock position exit and protective strategies.

Services offered to the Client may include the following:

- An in-depth analysis and review of the Client's financial situation, investment objectives, time horizon, and risk tolerance level;
- A customized Statement of Investment policy based on the Client's circumstances detailing the proposed investment strategy, including an asset allocation strategy;
- A thorough evaluation and selection of appropriate investment vehicles, including: equities, bonds, certificates of deposit, mutual funds, exchange-traded funds (ETFs), options, unit investment trusts, among others;
- The careful and deliberate implementation of the investment strategy with due regard to tax efficiency where applicable;
- The ongoing management and monitoring of the entire investment process; and
- The rebalancing of the portfolio as dictated by either changing market conditions, client objectives, or both.

CMSI will provide the Client, by and through an Adviser Representative, upon acceptance of the Client's account, some or all of the above referenced investment advisory services.

## **About Capital Management Services, Inc.**

CMSI operates principally as an investment advisory firm.

Generally Adviser Representatives of CMSI act as Portfolio Managers. Conversations with the Client and a completed account application or investment questionnaire furnish Adviser Representative with important information about the Client's personal circumstances and investment objectives. By compiling and analyzing this information the Adviser Representative is able to select investments that are suitable for a particular client. CMSI does not have a standard overlying investment strategy; rather, investment strategies are customized for each client. The Client is not restricted or limited in contacting or consulting with the Adviser Representative. Investment vehicles used may include: equities, bonds, certificates of deposit, mutual funds, exchange-traded funds, options and unit investment trusts.

The Adviser Representative reviews the accounts in investment supervisory programs as agreed upon with the Client, as transactions occur, or as requested by the Client. Additionally, the Adviser Representative reviews quarterly reports of client accounts. The Adviser's Investment Committee receives quarterly performance reports from the primary investment adviser or wrap fee program sponsor for some programs. The Investment Committee is comprised of: Michael E. Feldman, CFP®; Jennifer A. Garrett, CFA; David Y. Sun, CFA, and Eric T. Lanshe, CFA.

Adviser Representatives of CMSI and those individuals associated with determining or giving investment advice generally have a college degree and sometimes have an advanced professional degree in law, business or finance. They normally will have significant experience in some business or professional activity. Many persons employed in staff capacity in connection with its financial services have law or accounting degrees and experience. The Adviser also requires that its Adviser Representatives are registered with all appropriate regulatory agencies and pass all required examinations. The Adviser encourages its officers and employees to participate in continuing education, including pursuing (or having) one or more of the following professional designations: chartered financial analyst, certified financial planner, chartered financial consultant, and certified senior adviser.

Further, CMSI may enter into an agreement to pay a referral fee to an individual "solicitor." The Client receives full written disclosure of the agreement as an addendum to the Investment Advisory Agreement. The Client does not pay an additional charge for receiving advisory services through a solicitor. Referral of clients in exchange for a portion of advisory fees or other services may constitute a conflict of interest.

CMSI does not direct clients to Adviser Representatives. Generally, clients are existing clients of CMSI Adviser Representatives, having been introduced by outside means or individuals independent of CMSI. The only circumstance where CMSI would recommend or replace the Client's Adviser Representative would be if the Client requested a different Adviser Representative or if Adviser Representative transferred to a different Adviser and the Client's account did not transfer with the Adviser Representative.

CMSI has adopted a Code of Ethics governing the conduct of its employees. A copy is provided to any client upon request.

CMSI and/or related persons and affiliates may buy or sell for itself/themselves securities which are also recommended to clients. All transactions are within FINRA guidelines. Recommendations are made on investment merit and not on the basis of improving the value of holdings of CMSI or related persons. All accounts of CMSI are periodically reviewed by its Compliance Department for analysis of potential conflicts of interest and to satisfy regulatory requirements.

CMSI may also give advice or take action in the performance of duties to a particular client that differs from advice given, or the timing and nature of action taken, with respect to other clients' accounts.

The Client has the opportunity to impose reasonable restrictions on the securities purchased or the management of their account. Such restrictions may arise for tax management purposes or some other personal objective. Any restrictions may adversely affect the risk-reward level of a portfolio. Restrictions are honored except in the case of extraordinary circumstances. Clients who impose restrictions with respect to certain assets in a managed account may cause a portion of the portfolio to be placed outside the manager's discretion. The decision by the Client to retain certain assets may have an adverse impact on the amount of risk assumed by the Client and may hinder the investment manager's ability to manage the portfolio properly according to the stated objectives of the Client.

Under appropriate circumstances, CMSI may aggregate transactions for a number of clients at the same time for execution purposes. This practice will not ordinarily affect or otherwise reduce commissions or other costs incurred. Aggregated securities may be allocated among clients on a pro rata basis or by some other equitable procedure adopted depending upon the size of the transaction. In any case, trade allocations may result in certain clients paying higher or lower prices for securities than may be otherwise have been obtained. If security is trading in a very volatile fashion, it may be in the best interest of all parties to aggregate trades in order to obtain a timely and favorable execution.

### **Financial Industry Activities or Affiliations**

As already stated, CMSI operates principally as an investment advisory firm. CMSI also has an affiliation with Comprehensive Asset Management and Servicing, Inc. (hereinafter referred to as "CAMAS"), a FINRA registered broker-dealer. Certain Adviser Representatives of the CMSI are registered representatives of CAMAS in its capacity as a broker-dealer.

Because Adviser Representatives may also be registered representatives of CAMAS, they have the ability to offer investments available through CAMAS. They can also effect transactions on a non-discretionary or discretionary trading authority basis. Discretion exercised over accounts is determined in advance according to the agreement signed by the Adviser Representative and the Client. The Adviser Representatives can also be licensed to sell insurance and related financial programs. While the CMSI's principal business is providing investment advisory services, the proportion of time spent by Adviser's principal executive officers on effecting transactions in securities and insurance products varies greatly from time to time and is not determinable.

To the extent that CAMAS supervises its registered representatives who are officers or employees of CMSI, CAMAS could be deemed to have a supervisory role over CMSI. The arrangement between CMSI and CAMAS allows some officers and employees of CMSI to be registered

representatives of CAMAS, which permits CMSI to offer a wider range of services and products to its clients.

In addition, CMSI may employ the institutional divisions of TD Ameritrade, Inc. or Fidelity Investments Institutional Services Company, Inc. to custody assets and to execute securities transactions for its clients. CMSI receives certain benefits that may be deemed “economic” from these relationships. These benefits may include: receipt of duplicate client confirmations; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, technology, and practice management tools or services provided to CMSI by third party vendors. These benefits received by CMSI do not depend on the amount of brokerage transactions directed to TD Ameritrade or Fidelity Investments.

CMSI may participate in TD Ameritrade or Fidelity Investments client referral programs. Participation in the referral programs raises potential conflicts of interest. TD Ameritrade or Fidelity Investments will most likely refer clients to investment advisors that encourage their clients to custody their assets at TD Ameritrade or Fidelity Investments and whose client accounts are profitable to TD Ameritrade or Fidelity Investments. Consequently, in order to obtain client referrals from TD Ameritrade or Fidelity Investments, CMSI may have an incentive to recommend to clients that the assets under management by CMSI be held in custody with TD Ameritrade or Fidelity Investments and to place transactions for client accounts with TD Ameritrade or Fidelity Investments. In addition, CMSI has agreed not to solicit clients referred to it through the referral programs to transfer their accounts from TD Ameritrade or Fidelity Investments, or to establish brokerage or custody account at other custodians, except when its fiduciary duties require doing so in order to further benefit clients and their objectives. Participation in the referral programs does not diminish CMSI’s duty to seek best execution of trades for client accounts.

Even though CMSI may recommend TD Ameritrade or Fidelity Investments for custody or brokerage services, the Client is not required to utilize these firms. CMSI is otherwise unaffiliated with these brokerage firms.

As part of its fiduciary duties to clients, CMSI endeavors at all times to put the interest of its clients first. Clients should be aware, however that the receipt of economic benefits by CMSI in and of itself creates a potential conflict of interest.

## **Client Account Compliance and Supervision**

Accounts are reviewed regularly by the Investment Committee. The Compliance Department also reviews accounts on a monthly or quarterly basis as warranted by account activity. Accounts are updated by CMSI or its Adviser Representatives based on pertinent information supplied by the Client as necessary. The following individuals comprise the Investment Committee:

### **Michael E. Feldman, CFP® DOB 1947**

Michael has been providing comprehensive financial planning services to individual and corporate clients for over thirty years. He is the founder and President of CMSI, Inc. Michael holds a marketing degree from Temple University and is a Certified Financial Planner Practitioner. He is a member of the Financial Planning Association.

### **Jennifer A. Garrett, CFA DOB 1961**

Jennifer has over twenty years of investment management experience. She serves as Senior Portfolio Manager for CMSI, where she specializes in advising high net worth individuals and managing fixed income portfolios. Previously she was a partner in a regional investment advisory firm. Jennifer graduated from Drew University with a BA in Economics. Further, she holds the Charter Financial Analyst designation. She belongs to the CFA Institute and the CFA Society of Philadelphia.

### **David Y. Sun, CFA DOB 1964**

David has been in the financial services industry for over twenty years. Prior to joining CMSI as Senior Portfolio Manager, he was the Regional Director of Investments for a major financial services organization overseeing all investment activities ranging from individual to institutional accounts. David is a graduate of Temple University with a BBA in Management and Minors in Finance and Economics. He currently holds the Chartered Financial Analyst designation and is a member of both the CFA Institute and the CFA Society of Philadelphia.

### **Eric T. Lanshe, CFA DOB 1969**

Eric has over twenty years of experience in the financial services industry. He serves as Senior Portfolio Analyst for CMSI. He specializes in portfolio construction and implementation. Eric is a graduate of West Virginia University with a BS in Business Administration. He has served in various facets of the industry, ranging from quantitative back testing to equity market making to bond trading to comprehensive wealth management. Eric is a holder of the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Philadelphia.

## **Investment Advisory Services**

CMSI offers investment advisory services by and through an Adviser Representative. Discretion exercised over accounts is determined in advance according to the agreement signed by the Adviser Representative and the Client.

As the Adviser Representative recommends a service in which they receive compensation, it is possible that the amount of compensation may be more than if the Client participated in other programs or paid separately for investment advice, brokerage, and other services. The Adviser Representative may have a financial incentive to recommend the fee program over other programs and services (more detailed information regarding Payment for Services can be found later in this section).

Advisory services are provided through CMS Wealth Management, Strafford Asset Management, CMS Third Party Sub-Adviser, or a variation of the three. These programs are only available only through CMSI and its Adviser Representatives.

### **CMS Wealth Management:**

The Client may elect to retain CMS Wealth Management to provided investment advisory services. After completing due diligence, CMS Wealth Management may propose to allocate the Client's portfolio among various asset classes. This program may utilize individual securities, no-load fee mutual funds, money managers, exchange-traded funds and options, and other investment vehicles. In the selection of investment vehicles, CMS Wealth Management gives due consideration to past performance, transaction fees, tax efficiency, and management style.

A client may also elect to retain CMS Wealth Management to allocate a portion of the Client's assets into a concentrated portfolio of stocks selected using one or a combination of two investment styles: a buy-and-hold value approach or momentum growth at a reasonable price. CMS Wealth Management will select and research possible stocks for inclusion in the portfolio. However, the Client is consulted in regard to the purchase of these stocks. In addition, CMS Wealth Management will from time-to-time include specific stocks in the portfolio purely at the Client's request.

Neither CMS Wealth Management nor any of its Adviser Representatives receives any portion of the brokerage commissions or compensation for transactions effected for CMS Wealth Management. CMS Wealth Management fees are generally graduated based on a percentage of assets under management. Fees are charged either in advance based on the total market value of assets under management on the last day of the previous calendar quarter or in arrears based on the average capital of assets under management for the preceding calendar quarter. Certain CMS Wealth Management fees paid in advance will be refunded on a prorated basis to a client who terminates these services prior to the end of the quarter.

The following schedule outlines the maximum annual fee charged; however, fees may be negotiable depending on such factors as account size, historical circumstances and prior relationships:

Assets under management

Maximum Annual Fee

First \$250,000	1.75%
Next \$250,000	1.50%
Next \$500,000	1.25%
Above \$1,000,000	1.00%

An additional charge of 0.25% may be levied on accounts using a covered call writing strategy.

On occasion, clients may engage CMS Wealth Management on a limited 6-12 month basis to consult on portfolio analysis and review.

#### **Strafford Asset Management:**

A client may elect to retain the CMSI to provide individual equity management through Strafford Asset Management. This service is available to clients with portfolios in excess of \$1 million. The minimum is subject to increase or decrease based upon the circumstances of each client.

Strafford Asset Management is a separately managed all-cap, sector-driven, global portfolio of approximately 20-50 equities. Financial markets are monitored and evaluated, and specific securities are identified that match CMSI's investment criteria. CMSI determines the company's underlying value. Positions are closely monitored to determine if the original strategy still applies. Securities may be sold upon reaching full valuation or upon a change in CMSI's outlook. A covered call (buy-write) strategy may be utilized for selected equity positions.

Neither CMSI nor any of its investment adviser representatives receives any portion of the brokerage commissions or compensation for transactions effected for Strafford Asset Management. Strafford Asset Management fees the Adviser receives are generally graduated based on a percentage of assets under management. Fees are charged either in advance based on the total market value of assets under management on the last day of the previous calendar quarter or in arrears based on the average capital of the assets under management during the previous quarter. Certain Strafford Asset Management fees paid in advance will be refunded on a prorated basis to a client who terminates these services prior to the end of the quarter.

The following schedule outlines the maximum annual fee charged; however, fees may be negotiable depending on such factors as account size, historical circumstances and prior relationships:

<u>Assets under management</u>	<u>Maximum Annual Fee</u>
First \$250,000	1.75%
Next \$250,000	1.50%
Next \$500,000	1.25%
Above \$1,000,000	1.00%

#### **CMS Third Party Sub-Adviser:**

This service may be offered to clients with portfolios in excess of \$2 million who dCAMASre portfolio management services on a discretionary basis by a third party



registered investment adviser (the "Sub-Adviser"). CMS Sub-Adviser is used to administer and to assist with the individual securities or manager selection. Sub-Advisers are screened based upon the following: asset class, performance, risk level, style consistency, fees, as well as experience and longevity of the managers. CMSI also provides ongoing due diligence where applicable. CMSI and/or the Sub-Adviser will consult with the Client where applicable concerning the Client's objectives and risk tolerance. CMSI will coordinate any communication between the Client and the Sub-Adviser. CMSI will recommend these Sub-Adviser(s), which are unaffiliated portfolio management firm(s), to provide portfolio management services to the client where suitable. CMSI and the Sub-Adviser monitor and consult with the Client concerning the investment performance of the account, monitor the continuing capability and general performance of the Sub-Adviser(s), and may recommend a change therein if CMSI deems this appropriate.

Representative fee schedules are as follows:

<u>Assets under management</u>	<u>Maximum Annual Fee</u>
First \$2,000,000	1.50%
Next \$3,000,000	1.25%
Next \$5,000,000	1.00%
Above \$10,000,000	negotiable

The above fees represent the maximum fees that may be charged. The actual fee schedule charged, however, may be less than such fees. Fees may be negotiable under the same circumstances, and fees are charged in the same manner, as described previously for CMS Wealth Management and Strafford Asset Management.

CMS Sub-Adviser imposes a minimum of \$2,000,000 in assets under management. The minimum is subject to increase or decrease based upon the circumstances of each client.

#### **Variations of CMS Wealth Management, Strafford Asset Management and CMS Sub-Adviser:**

CMSI offers several variations of CMS Wealth Management, Strafford Asset Management, and CMS Sub-Adviser, including the following:

1. Asset allocation using style specific institutional or no-load/load-waived mutual funds unaffiliated with Adviser (includes periodic rebalancing of assets among funds);
2. Asset allocation using a specific asset allocation model, recommended to and selected by the client, for which the Sub-Adviser chooses mutual funds unaffiliated with the Adviser to meet the parameters of the model;
3. Asset allocation among a combination of selected mutual funds and/or individual portfolio managers unaffiliated with the Adviser, with respect to whom the Sub-Adviser provides ongoing due diligence and monitoring of performance;
4. Asset allocation among a combination of selected mutual funds and/or individual portfolio managers unaffiliated with CMSI, with respect to whom the Sub-Adviser provides ongoing due diligence and monitoring of performance, and with the addition of

a hedging strategy that is managed by the Sub-Adviser or a selected portfolio manager and is dCAMASigned to provide protection against downside risk; and

5. Asset allocation programs to be dCAMASigned by CMSI or a Sub-Adviser that are similar to the foregoing programs.

In each case CMSI and/or Sub-Adviser will monitor the Client's account on a regular basis to ensure adherence to the asset allocation model, continuing appropriateness of the allocations, in the judgment of CMSI or Sub-Adviser, as applicable, in light of financial market and economic conditions. CMSI and/or Sub-Adviser will recommend account modifications based on changes in the Client's investment objectives, overall financial circumstances, risk tolerance and return objectives.

In limited cases, Adviser Representatives have arrangements to provide fee based investment advisory services including asset allocation, monitoring of investments and reporting to clients outside of the asset management programs. Fees for these services are billed in arrears or in advance, are due on a monthly or quarterly basis and, in some cases, a minimum fee or asset size may be required. Fees may vary based on the type of plan needed, complexity of the client's situation and services provided. Fees may be negotiable under the same circumstances as described previously for CMS Wealth Management.

### **Account Reporting**

The account custodian sends confirmations and statements of activity on all transactions. The Client will receive a statement for any month during which a transaction occurred. All accounts, regardless of whether or not there has been activity, receive a statement at least quarterly.

Performance reporting is provided for all accounts at least quarterly by an outside, third-party reporting service. CMSI's Investment Committee reviews the performance for each recommended investment strategy, sub-account manager, research provider, and mutual fund on a regular basis. Analysis is based on data provided by industry services, information provided by sub-managers, and internal software. Performance is calculated in accordance with generally accepted industry standards for the presentation of performance. It is expected that any advisory firm that publishes information will adhere to CFA Institute performance reporting guidelines. Occasionally firms will provide information that does not entirely confirm to CFA Institute standards. In such case, the performance data should clearly indicate that it was not calculated based on a uniform standard and indicate how the data was calculated.

### **Termination**

CMSI, the Adviser Representative or the Client may terminate the Agreement at any time by providing 30 days written notice of such election to the other party. The Agreement will terminate automatically upon receipt by Adviser Representative or CMSI of legal notice of the death of the Client. Termination of the Agreement will not affect any liability or responsibility with regard to transactions for the Client's account initiated prior to or after such termination, and the Client agrees to be responsible for any fees or expenses prior to or after such termination.

In the event of termination of the Agreement, Adviser Representative will refund to Client the pro-rated portion of the fee for the quarter of termination. All fees due under the Agreement at termination will be deducted from Client's account before assets are delivered from the account.

A copy of this brochure is available at any time upon request. It is also offered annually to all clients with CMSI investment advisory services.

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