

Capital Management Corporation

Of the Northeast

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March 30, 2012

This Brochure provides information about the qualifications and business practices of Capital Management Corporation of the Northeast [“CMC”]. If you have any questions about the contents of this Brochure, please contact us at (860) 868- 1830 and/or [cmcne@sbcglobal.net](mailto:cmcne@sbcglobal.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Capital Management Corporation of the Northeast is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Capital Management Corporation of the Northeast also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2012 is a revised document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Timothy Peterson, Compliance Officer at (860) 868-1830 or [cmcne@sbcglobal.net](mailto:cmcne@sbcglobal.net).

Additional information about Capital Management Corporation of the Northeast is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with CMC who are registered, or are required to be registered, as investment adviser representatives of CMC.

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#### Item 4 – Advisory Business

Capital Management Corporation of the Northeast (CMC) provides investment supervisory services based upon the client's needs and investment goals as determined. An investment strategy is developed using equities and fixed income securities as the core investments. Clients are informed of activities through written correspondence, telephone and/or fax communication, regularly scheduled transaction statements and investment reviews.

CMC was formed in 1990. Its principal owner is Guy A. Peterson.

CMC takes into account individual clients' net worth, risk tolerance, investment goals and other factors in tailoring its advisory services.

As of December 31, 2011, CMC had under management \$59,484,267 on a discretionary basis, and \$11,301,280 on a non-discretionary basis.

#### Item 5 – Fees and Compensation

The specific manner in which fees are charged by CMC is established in a client's written agreement with CMC. CMC will generally bill its fees on a quarterly basis, in arrears. Clients generally authorize CMC to directly debit fees from client accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any unpaid fees will be due and payable.

Billing for its services is computed and payable quarterly in arrears based upon the value of assets under supervision as follows:

Annual Fees:

\$10.00 per \$1,000 (1.0%) on first \$	500,000
\$ 7.50 per \$1,000 (0.75%) on next	\$ 500,000
\$ 5.00 per \$1,000 (0.50%) on balance over	\$1,000,000
Minimum annual fee is \$3,000.	

The market value of mutual funds is normally included for fee purposes.

Fees may be subject to negotiation

CMC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot

differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to CMC's fee, and CMC shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that CMC considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

#### Item 6 – Performance-Based Fees and Side-By-Side Management

CMC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### Item 7 – Types of Clients

CMC provides portfolio management services to individuals, high net worth individuals, and charitable institutions and endowments.

#### Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

CMC's investment strategies may include long term purchases (securities held at least a year) and short term purchases of (securities sold within a year). These securities may include equity securities, which may be exchange-listed, traded over the counter or issued by foreign issuers, investment-grade commercial paper, other corporate, municipal, United States government and other sovereign debt, mutual fund shares, certificates of deposit, securities option contracts and interests in real estate and other partnerships. CMC may use charting, fundamental, technical and cyclical methods of analysis when determining the appropriateness of the buying and selling of securities in clients' accounts.

The main sources of information CMC uses in formulating investment strategies are: financial newspapers and magazines, research materials prepared by others, corporate ratings services, annual reports, prospectuses, and filings with the Securities and Exchange Commission and company press releases.

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

#### Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CMC or the integrity of CMC's management. CMC has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

Outside of its primary business, CMC has no other financial industry activities and affiliations.

## Item 11 – Code of Ethics

CMC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CMC must acknowledge the terms of the Code of Ethics annually, or as amended.

CMC anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which CMC has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which CMC, its affiliates and/or clients, directly or indirectly, have a position of interest. CMC's employees and persons associated with CMC are required to follow CMC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of CMC and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for CMC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CMC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of CMC's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CMC and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with CMC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. CMC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order. CMC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Timothy Peterson

It is CMC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory

client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

#### Item 12 – Brokerage Practices

In selecting or recommending broker-dealers for client transactions, CMC may take into account reasonableness of broker-dealer commissions and broker-dealer best-execution practices.

CMC may receive soft-dollar benefits from broker-dealers in the form of proprietary and third party research because of brokerage commissions that are incurred in buying/selling securities in clients' accounts. These soft dollar benefits are used to service all of CMC's clients' accounts.

#### Item 13 – Review of Accounts

Client portfolios are reviewed internally on a quarterly basis by an investment committee consisting of : Guy A. Peterson, President, Neil E. Yarhouse, Consultant, Timothy G. Peterson, Compliance Officer, and Theodora K. Schroeder, Corporate Secretary and Account Administrator.

Guy Peterson has primary investment responsibility for all accounts.

#### Item 14 – Client Referrals and Other Compensation

CMC does not provide compensation to any party for client referrals.

#### Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CMC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements, generally provided quarterly may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### Item 16 – Investment Discretion

CMC usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

Investment guidelines and restrictions must be provided to CMC in writing.

#### Item 17 – Voting Client Securities

Clients may obtain a copy of CMC's complete proxy voting policies and procedures upon request. Clients may also obtain information from CMC about how CMC voted any proxies on behalf of their account(s).

#### Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CMC's financial condition. CMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.