

Capital Programs Advisory Corporation

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ADV Part 2A Firm Brochure August 21, 2014

This brochure provides information about the qualifications and business practices of Capital Programs Advisory Corporation (CPAC). If you have any questions about the contents of this brochure, please contact us at 847-328-7700 and/or cpac@sbcglobal.net. CPAC is a registered investment adviser. Registration does not imply a certain level of skill or training. 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.

Additional information about Capital Programs Advisory Corporation also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes
ADV Part 2A August 21, 2014 Annual Amendment

CPAC's last ADV Part 2A Amendment was June 26, 2013. Since that time, there have been no Material Changes that have taken place with CPAC and/or its principal, Richard Gillis.

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Topic # 1. Advisory Business

Capital Programs Advisory Corporation (CPAC) began operations in 1982. Richard A. Gillis is 100% owner of CPAC. Our focus is assisting individuals to build financial security. We approach this focus from a number of directions. One of these is managing a specific sum of capital. Another is providing a Financial Blue Print, called a Strategy Report, which maps out a detailed and specific course of action to arrive at a predetermined destination in a predetermined timeframe. These reports contain certain projections about investment growth rates, client earning potential, rate of inflation, and other unique factors that may pertain to each individual client. While we use conservative assumptions, clients must understand that there is a risk that the reality may differ from the assumptions, resulting in end results that differ from those originally projected in the report. We are also available to assist our clients to reason wisely about a myriad of financial decisions that occur over a lifetime, as well as to meet with clients and their other professional counsel to strategize how best to maximize the client's wealth.

CPAC manages assets on a discretionary basis. As of 6/30/2014, CPAC had discretionary assets under management of \$91,302,000. Managed assets are invested primarily in mutual funds, but occasionally individual stocks, bonds, closed end funds, and Exchange Traded Funds may be used. For certain clients, positions in precious metals may also be recommended.

Our financial planning services take into account the specific needs and goals of each client. For instance, certain investments may be suitable for clients seeking income, which would not be utilized with clients seeking asset accumulation. Due consideration is given to overall economic and investment conditions. Clients seek our services because of our investment knowledge and experience. While client goals factor into our decisions, we do not take investment direction from them. They seek such direction from us.

Topic # 2. Fees and Compensation

Compensation for investment advisory services performed by CPAC is based on a percentage of assets under management. The fee is 1.25% per year for the first \$1,000,000 of managed assets. For dollars exceeding \$1,000,000, the annual fee is 0.50%. Fees are billed in arrears, with billing every six months. The July billing is for services rendered from January through June, and the January billing is for services rendered from July through December. Asset Management fees are negotiable beyond \$10,000,000 of managed assets.

In rare cases a flat fee may be utilized. This is described further in the section “Types of Clients – Account Requirements” on page 6.

Clients are billed for fees already incurred. CPAC does not automatically deduct fees from client accounts. However, clients have the option of having the fee deducted from their investment account. This option is available at any given billing period.

As noted in the Advisory Business section herein, a client may request a Strategy Report. Because the scope of each report is dependent upon a client’s circumstances and needs, the fee is negotiable.

Clients should be aware that there are other fees associated with the investing process.

Mutual Funds/ETFs: All Mutual Funds and Exchange Traded Funds charge annual operating fees. These fees are determined by the fund companies, and the amounts are reported in their prospectuses. CPAC utilizes only no-load funds, which have no front or back end sales charges.

Custodians: IRA custodians charge administration fees. They may also charge fees for special services. Such fees are determined by the custodian, whose fee schedule may be obtained prior to account establishment. Neither CPAC nor any of its employees receive any compensation from custodians.

Certain investments utilized by CPAC are made through brokerage firms, which charge commissions to execute trades. These might include individual stocks, bonds, exchange traded funds, and open-end and closed-end mutual funds. The use of brokerage is discussed in depth in the Brokerage Practices section beginning on page 8.

Topic # 3. Performance Based Fees and Side-By-Side Management

CPAC does not charge fees on a performance basis. The issue of side-by-side management is therefore not applicable. Our fee structure is noted in the “Fees and Compensation” section on page 5.

Topic # 4. Types of Clients – Account Requirements

CPAC provides investment advice to individuals, pension and profit sharing plans, trusts, and companies. The minimum dollar value for opening an account is \$500,000 in managed assets. The minimum may be waived, at management’s discretion. In such cases a flat fee might be negotiated. The fee would automatically revert to normal percentage billing once total assets (under management) reached \$500,000.

Topic # 5. Methods of Analysis, Investment Strategies, and Risk of Loss

In determining investment direction, overall trends (which include prevailing conditions in the global economies/investment markets) are assessed. Investments are then identified that are believed to be best suited for prevailing conditions. These investments are primarily mutual funds, encompassing domestic and foreign stocks, bonds, commodities, real estate, precious metals, currencies, etc. To a lesser extent Exchange Traded Funds and individual securities may be used. Due diligence is performed when choosing the particular investments ultimately recommended. The primary risk involved with any investment strategy involving risk assets, is fast changing conditions causing markets to react in ways contrary to

our allocation. It should be understood that investment in securities involves risk of loss. Clients should be aware of this and be prepared to bear such risks. Our strategy is to remain invested in a particular allocation so long as we believe the conditions for these investments remain in place. When we perceive conditions are changing, investment direction is reevaluated for possible adjustment.

As noted herein, the primary investment vehicle utilized is mutual funds. A risk unique to mutual funds is the fact that they trade only at the end of each day. Should markets become volatile during the day, portfolios cannot be adjusted until the market closes on any given day.

Topic # 6. Disciplinary Information

CPAC has never been charged with any legal or disciplinary event. No employee of CPAC, prior to or while in the employment of CPAC, has been charged with any material legal or disciplinary events. This includes actions that would be considered criminal or civil in nature or, for that matter, any regulatory agency violations.

Topic # 7. Other Financial Industry Activities and Affiliations

Richard A. Gillis is a licensed independent life insurance agent. This presents a material conflict of interest with clients in that he receives a commission for placement of insurance products. As a financial advisory firm, one aspect of a client's circumstances that must be considered is protection from risks that are inherent in everyday life. Some of these risks are best addressed through the use of life insurance and/or annuities. As an independent broker/agent Mr. Gillis may utilize various life insurance companies, selected on the basis of product appropriateness for client needs. Clients are free to use Mr. Gillis' services or choose another source/provider. Insurance sales are not made through CPAC. Rather, such transactions are executed through a separate corporate entity that is established for such business.

Topic # 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CPAC has adopted the Certified Financial Planner Board of Standards Code of Ethics. The Code deals with the fiduciary and ethical responsibilities of each employee at CPAC in dealing with clients, and the public in general. CPAC has added its own amendment to the Code to add rules relating to personal investment practices, to prohibit and prevent insider trading, frontrunning, or other potential conflicts of interest. CPAC will provide a copy of the Code of Ethics to any client or prospective client upon request.

CPAC does not buy or sell securities for its own account. Employees of CPAC may take positions in securities that may also be recommended to clients. These securities are generally open end mutual funds, but may also include individual securities or ETFs. Pricing for open end mutual funds cannot be influenced by purchase or sale, and thus present no conflict of interest. Individual security pricing can be influenced by large purchases or sales relative to the amount of shares of the particular issue available on the market. While this has the potential for conflict of interest, the individual security investments involving CPAC employees are insignificant and have little or no influence on an individual security's price. To further mitigate any potential for conflict, CPAC employees are not allowed to transact on an individual security or ETF on the day of client trades, until all client trades have been completed, and those trades must be in the same direction (buy or sell) as the client trades. Furthermore, CPAC does not invest client funds in IPOs or thinly traded issues, which may not have sufficient shares available to allocate to all clients, and which may be subject to greater price volatility.

Topic # 9. Brokerage Practices

Neither CPAC nor its employees receive special products or services ("soft-dollar") from any broker/dealer other than execution of transactions. Also, CPAC does not receive or seek client referrals from any broker/dealer.

Where possible, CPAC utilizes on-line platforms to execute trades for investments listed on major exchanges. These investments might include stocks, bonds, exchange traded funds, and open-end and/or closed-end mutual funds. In these cases discount brokerage fees are obtained, and neither CPAC nor Mr. Gillis receive any brokerage commissions. Clients have the right to use a brokerage firm of their own choosing, but they should be aware that this could result in broker fees and/or investment purchase pricing that is higher, the same, or lower than would be obtained through a broker of CPAC's choosing. Also note that brokerages may charge a nominal fee to buy and sell certain open-end no-load mutual funds, which may be purchased directly from the mutual fund company without such fee. Occasionally CPAC may aggregate the purchase or sale of securities for various client accounts. This may occur when a portfolio investment change is made that affects some or all clients in a similar manner. Aggregate purchases or sales are sometimes used with individual securities investments, to insure that no client receives pricing that is more or less favorable than other clients transacting in the same securities at the same time. Because the bulk of CPAC client assets are held in open-end mutual funds which are traded on an individual account basis, aggregate transactions are infrequent.

Topic # 10. Review of Accounts

Clients are provided a written consolidated statement of their managed assets on a quarterly basis. This is in addition to the statements clients receive directly from each custodian they have positions with. Data is compiled by CPAC staff, and reviewed by CPAC's president, Richard Gillis. Clients should compare the statements they receive from CPAC with those they receive from the various investment companies.

Additionally, a client's overall financial plan may be reviewed on a periodic basis. A major change in a client's life may trigger a review, such as a career change, a child going to college, etc. Also, should we become aware of an event that may affect one or more clients, we may initiate a general review with those clients. An example might be a regulation change that affects a certain industry that one or more clients are employed in. Finally, it may be determined that a sufficient amount of time has

passed from the last financial plan review to warrant an update. Certain aspects of these reviews may be in written form, such as updated Balance Sheets, and other illustrations used to support recommendations. These reviews are also conducted by Richard Gillis, either in person or by phone.

Topic # 11. Client Referrals and Other Compensation

When a Life Insurance policy or Annuity contract is purchased through Richard Gillis, he may receive compensation from the insurance company in the form of commissions. These commissions are for the placement of client dollars, and so must be considered compensation from a non-client for providing Planning advice to our clients. This is described in detail in the Other Industry Affiliations on page 7.

Topic # 12. Custody

CPAC does not take custody of client funds or securities. All investments are held in client name directly with mutual fund companies, brokers, or independent custodians. Statements from these custodians are sent directly to clients on a schedule set by the custodians. Additionally, CPAC provides clients with its own statement on a quarterly basis, consolidating all managed investment positions. Clients should compare the statements they receive from CPAC with those they receive from the various custodians. It should be noted that CPAC does have the ability to deduct management fees from certain client accounts. It is CPAC's practice, however, to give the client the option each billing period as to their preferred method of fee payment, as described in the section "Fees and Compensation" beginning on page 5.

Topic # 13. Investment Discretion

CPAC requires discretionary authority to manage security accounts on behalf of clients. This discretion is limited to access of updated account information, making trades on behalf of clients, and liquidating assets with proceeds going directly to the client or to another investment account titled to the same client. CPAC never takes

custody of client assets, and does not have the ability to direct client assets anywhere other than for the benefit of the client.

Discretionary authority is granted by the client to CPAC, by an Authorization form, a part of the Asset Management Agreement signed by both parties at the beginning of the relationship. Also, most investment companies require that the client sign an Agent Authorization form so that CPAC may have the above mentioned authority with those particular companies.

Topic # 14. Voting Client Securities

Because investments are held in client name, clients receive their proxies and other solicitations directly from the custodians. It is not the practice of CPAC to vote client proxies, or send advice on how to vote on investment account shareholder issues which arise on a periodic basis. However, our clients have the freedom to contact us on an individual basis for such advice. In these cases we will;

1. Obtain written information from the client on the issues in question.
2. Evaluate the issues as to their possible effect on the client's investment.
3. Contact client with CPAC's position. If the client desires that CPAC cast the actual vote on their behalf, we will first obtain written authorization from the client. This is generally in the form of a signed proxy ballot and written request from the client stating their voting intentions.
4. Make a copy of the completed proxy ballot and send it to the client for their files.

In rare instances where a matter of extreme importance arises concerning an investment, CPAC may issue a written recommendation to all affected clients. In these cases, it is still up to the client to make the final determination on how to vote, and to follow through with the casting of their vote, either on their own or with our assistance as noted above.

Topic # 15. Financial Information

CPAC bills for payment of fees in arrears. Neither CPAC nor any employee of CPAC takes custody of client assets. Investments made by CPAC on behalf of clients are always made in client name. CPAC does not automatically deduct fees from client accounts. However, clients do have the option of having the fee deducted from their investment account. This option is available at any given billing period. CPAC does require discretionary authority for the investment of client assets. There are no financial conditions we are aware of that are likely to impair CPAC's ability to meet its contractual commitments to clients.