

# Wrap Fee Program Brochure

September 5, 2023

## Capital Management Services Wrap Fee Program

Sponsored By

### **CAPITAL MANAGEMENT SERVICES, INC.**

*a Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Capital Management Services, Inc. (hereinafter “CMS” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). CMS is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

In this Item, CMS is required to discuss the material changes which have been made to the Wrap Brochure since CMS' last annual update filed March 23, 2016. The Firm has amended Item 6 of this Wrap Brochure to reflect the fact that it has retained Federated Investment Counseling to provide certain subadvisory services for the benefit of clients.

**Item 3. Table of Contents**

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents .....	iii
Item 4. Services, Fees and Compensation .....	4
Item 5. Account Requirements and Types of Clients .....	8
Item 6. Portfolio Manager Selection and Evaluation .....	9
Item 7. Client Information Provided to Portfolio Managers .....	14
Item 8. Client Contact with Portfolio Managers .....	14
Item 9. Additional Information .....	15

## Item 4. Services, Fees and Compensation

The Capital Management Services Wrap Fee Program (the "Program") is an investment advisory program sponsored by CMS, a registered investment adviser which has been in business since November, 1987.

This Brochure describes the business of CMS as it relates to clients receiving services through the Program. Certain sections also describe the activities of the Firm's *Supervised Persons*, which refer to any officers, partners, directors (or other person occupying a similar status or performing similar functions), employees, or other persons who provide investment advice on CMS' behalf and are subject to the Firm's supervision.

In addition to the Program, the Firm also offers financial planning, consulting and investment management services under different arrangements than those described herein. Information about these services is contained in CMS' Disclosure Brochure, which appears as Part 2A of the Firm's Form ADV.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with CMS setting forth the relevant terms and conditions of the advisory relationship (the "*Agreement*"). Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co Inc or another broker-dealer CMS approves under the Program (collectively "*Financial Institutions*"). CMS participates in the institutional advisor program offered by Charles Schwab & Co Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. Charles Schwab & Co Inc offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from Charles Schwab & Co Inc through its participation in the Program. Charles Schwab & Co Inc is a discount broker-dealer independent of and unaffiliated with CMS and there is no employee or agency relationship between them.

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, CMS assists its clients in developing an appropriate strategy for managing their assets. Clients' investment portfolios are generally managed on a discretionary or non-discretionary basis by either CMS' investment adviser representatives or an independent investment manager ("*Third Party Managers*"), as selected by CMS.

CMS and/or the *Third Party Managers* generally allocate clients' assets among the various investment products available under the Program, as described further in Item 6 (below).

### Fees for Participation in the Program

Investment management services are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management. The Firm also offers advisory services outside of the Program under different fee arrangements than those discussed below.

CMS' asset based fee generally varies between 75 and 175 basis points (0.75% – 1.75%), depending upon the amount of the assets being managed under the Program and which services the client elects, but generally based on the following fee schedules:

*CMS Wealth Management / Strafford Asset Management* (this fee is inclusive of trading costs)

PORTFOLIO VALUE	ANNUAL FEE
First \$2,000,000	1.50%
Next \$1,000,000	1.25%
Above \$3,000,000	1.00%

*CMS Third Party Managers (including Subadvisers)* (this fee is inclusive of trading costs)

PORTFOLIO VALUE	ANNUAL FEE
First \$2,000,000	1.75%
Next \$3,000,000	1.50%
Next \$5,000,000	1.25%
Above \$10,000,000	Negotiable

The annual fee is prorated and either charged quarterly in advance, based upon the market value of the assets being managed by CMS on the last day of the previous billing period or quarterly in arrears based upon the market value of the assets being managed by CMS during the previous quarter, adjusted as described below.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is prorated to account for the change in portfolio value. If the fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted accordingly. For the initial term of the Program, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final quarter is prorated through the effective date of the termination and the outstanding balance is charged to the client or the remaining balance is refunded to the client, as appropriate.

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**Fee Comparison**

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A portion of the fees paid to CMS are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios, as well as the fees charged by *Third Party Managers* and subadvisers engaged to provide services under the Program.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

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**Fee Discretion**

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CMS, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

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**Fee Debit**

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The Firm's *Agreement* and the separate agreement with any *Financial Institutions* generally authorize CMS and/or the *Third Party Managers* to debit its clients' accounts for the amount of the Program fee and to directly remit that fee to CMS or the *Third Party Managers*. Any *Financial Institutions* recommended by CMS have agreed to send statements to clients not less than quarterly indicating all amounts disbursed from the account, including the amount of Program fees paid directly to CMS.

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**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to CMS' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to CMS, subject to the usual and customary securities settlement procedures. However, CMS designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CMS may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

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**Other Charges**

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Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include fees charged by the *Third Party Managers*, charges imposed directly by a mutual fund

or exchange-traded fund (“ETF”) in the account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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.

#### **Compensation for Recommending the Program**

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CMS has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients’ participation.

#### **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with CMS (but not CMS) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with CMS.

Under this arrangement, the Firm’s *Supervised Persons*, in their individual capacities as registered representatives of Comprehensive Asset Management and Servicing, Inc. (“CAMAS”), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. *Supervised Persons* may be entitled to a portion of the brokerage commissions paid to CAMAS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. CMS generally recommends no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with CAMAS. CMS does not receive any portion of the commissions or transactional fees charged by CAMAS.

A conflict of interest exists to the extent that CMS recommends the purchase of securities where CMS’ *Supervised Persons* receive commissions or other additional compensation as a result of CMS’ recommendations. CMS has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act (“ERISA”) and such others that CMS, in its sole discretion, deems appropriate, CMS may provide its investment advisory services on a fee-offset basis. In this scenario, CMS may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by CMS’ *Supervised Persons* in their individual capacities as registered representatives of CAMAS.

## Item 5. Account Requirements and Types of Clients

### Minimum Portfolio Size

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

As a condition for starting and maintaining an investment management relationship, CMS generally imposes a minimum portfolio size of \$1,000,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and *pro bono* activities. CMS only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. CMS may aggregate the portfolios of family members to meet the minimum portfolio size.

#### ***CMS Third Party Managers***

As a condition for starting and maintaining an investment management relationship, CMS generally imposes a minimum portfolio size of \$1,000,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and *pro bono* activities. CMS only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. CMS may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Third Party Managers* may impose more restrictive account requirements and varying billing practices than CMS. In such instances, CMS may alter its corresponding account requirements and/or billing practices to accommodate those of the *Third Party Managers*.

### Types of Clients

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Services through the Program are offered to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.



## Item 6. Portfolio Manager Selection and Evaluation

CMS acts as the sponsor and portfolio manager under the Program. CMS manages investment portfolios through the Program in substantially the same manner as those it manages outside of the Program. In return for these services, CMS receives a portion of the fees paid for participation in the Program, as described in Item 4 (above).

### Portfolio Management

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CMS manages its clients' investment portfolios on a discretionary or non-discretionary basis.

For accounts managed through the Program, CMS may allocate client assets among *Third Party Managers*, mutual funds, ETFs, individual debt and equity securities and options, in accordance with the investment objectives of its individual clients. In addition, CMS may also recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., private real estate investment trusts). Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Specifically, a client may elect advisory services in accordance with one of the following offerings, though the Firm makes available additional services in addition to those listed below.

#### ***CMS Wealth Management***

A client may elect CMS Wealth Management. Through such, the Firm allocates a client's assets among various asset classes, but typically CMS will utilize individual securities, no-load funds, *Third Party Managers*, exchange-traded funds ("ETFs") and options. A client may also elect to have a portion of assets allocated to a concentrated portfolio of stocks.

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

A client may elect Strafford Asset Management, subject to a portfolio minimum which may be waived at the sole discretion of CMS. Strafford Asset Management is a separately managed all-cap, sector-driven, global portfolio of approximately 20-50 equities. A covered call (buy-write) strategy may be utilized for selected equity positions.

#### ***CMS Third Party Managers***

A client may elect CMS Third Party Sub-Adviser, subject to a portfolio minimum which may be waived at the sole discretion of CMS. The Firm utilizes *Third Party Managers* (defined and described in more detail below) to assist in the selection of individual securities or asset allocation. *Third Party Managers* are screened based upon the following: asset class, performance, risk level, style consistency, fees, as well as

experience and longevity of the managers. CMS provides ongoing due diligence. To the extent possible, CMS will monitor *Third Party Managers* and consult with the client as necessary.

### ***Additional Services***

Clients may also engage CMS to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CMS directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

CMS tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. CMS consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify CMS if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if CMS determines, in its sole discretion that the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### ***Use of Third Party Managers***

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As mentioned above, CMS may select certain *Third Party Managers* to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an *Independent Manager* are set forth in a separate written agreement between the designated *Third Party Managers* and either CMS or the client. CMS does not receive compensation from any such *Third Party Managers*.

CMS evaluates various information about the *Third Party Managers* it chooses to manage client portfolios, which may include the *Third Party Managers'* public disclosure documents, materials supplied by the *Third Party Managers* themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the *Third Party Managers'* investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. CMS also takes into consideration each *Third Party Managers'* management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

CMS continues to provide services relative to the discretionary selection of the *Third Party Managers*. On an ongoing basis, the Firm monitors the performance of those accounts being managed by *Third Party Managers*. CMS seeks to ensure the *Third Party Managers'* strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

For certain clients, CMS also utilizes the services of a third-party subadviser, Federated Investment Counseling ("Federated"), to provide recommendations regarding the purchase, sale, and retention of securities consistent with the management of one or more hypothetical model portfolios in accordance with a certain set of designated investment objectives provided by CMS. CMS uses the subadviser's recommendations for the model portfolios to assist the Firm in developing its own investment strategies and recommendations which are offered to certain clients. Federated's affiliates manage one or more mutual funds which CMS also recommends for certain of its clients.

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**Side-By-Side Management**

CMS does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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**Methods of Analysis**

CMS generally utilizes a combination of fundamental and technical methods of analysis.

Fundamental analysis involves an evaluation of the financial condition and competitive position of a particular fund or security. For CMS, this process typically involves an analysis of entity's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's target asset allocations. A substantial risk in relying solely upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying solely upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that CMS will be able to accurately predict such a reoccurrence.

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**Investment Strategies**

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***Strafford Asset Management***

Strafford Asset Management is a separately managed all-cap, sector-driven, global portfolio of approximately 20-50 equities. Financial markets are monitored and evaluated to identify specific securities that match the Firm's investment criteria. CMS utilizes a systematic approach to ascertain a company's underlying value, and attempts to purchase stocks that are trading at a discount to the aforementioned intrinsic 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 the CMS' outlook. A covered call (buy-write) strategy may be utilized for selected equity positions.

***CMS Third Party Managers***

The Firm seeks to identify *Third Party Managers* that exemplify the qualities and employ the appropriate services in accordance with the needs of its clients. In utilizing Third Party Managers, CMS is able to diversify portfolios and offer a breadth of opportunities that may not otherwise be available.

## Risks of Loss

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

### *Market Risks*

The profitability of a significant portion of CMS' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that CMS will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Third Party Managers*

CMS may recommend the use of *Third Party Managers*. In these situations, CMS continues to do ongoing due diligence of such managers, but such recommendations rely to a great extent on the *Third Party Managers'* ability to successfully implement their investment strategies. In addition, CMS does not have the ability to supervise the *Third Party Managers* on a day-to-day basis.

### *Management Through Similarly Managed Model Accounts*

CMS manages certain accounts through the use of similarly managed model portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a

discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The rebalancing strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done with some regard to a client's individual tax ramifications. Clients should contact CMS if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### **Voting of Client Securities**

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CMS does not accept the authority to vote clients' securities (i.e., proxies) on their behalves.

### **Item 7. Client Information Provided to Portfolio Managers**

In this Item, CMS is required to describe the type and frequency of the information it communicates to the *Third Party Managers*, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant CMS the authority to discuss certain non-public information with the *Third Party Managers* engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. CMS may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the *Third Party Managers'* investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

### **Item 8. Client Contact with Portfolio Managers**

In this Item, CMS is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with CMS. Clients can generally contact the *Third Party Managers* managing their portfolios through CMS.

## Item 9. Additional Information

### Disciplinary Information

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CMS has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

### Other Financial Industry Activities and Affiliations

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#### *Registered Representatives of a Broker-Dealer*

Certain of the Firm's *Supervised Persons* are registered representatives of CAMAS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 4.

#### *Licensed Insurance Brokers or Agents*

Certain of CMS' *Supervised Persons*, in their individual capacities, are also licensed insurance agents or brokers. When appropriate, these *Supervised Persons*, in their individual capacities, may recommend the purchase of certain insurance or annuity products to advisory clients on a fully-disclosed basis. A conflict of interest exists to the extent that CMS recommends the purchase of insurance or annuity products where its *Supervised Persons* receive insurance commissions or other additional compensation. As a result, CMS has procedures in place to address any such conflict.

### Code of Ethics

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CMS has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. CMS' *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of CMS' personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, CMS *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact CMS to request a copy of its *Code of Ethics*.

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#### Account Reviews

For those clients to whom CMS provides investment management services, CMS monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom CMS provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by a member of CMS' Investment Committee. All investment advisory clients are encouraged to discuss their needs, goals and objectives with CMS and to keep CMS informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

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#### Account Statements and General Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. On a quarterly basis or as otherwise requested, clients may also receive written or electronic reports from CMS and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from CMS or an outside service provider.

Those clients to whom CMS provides financial planning and/or consulting services will receive reports from CMS summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by CMS.



**Client Referrals**

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If a client is introduced to CMS by either an unaffiliated or an affiliated solicitor, CMS may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from CMS' investment management fee and does not result in any additional charge to the client. If the client is introduced to CMS by an unaffiliated solicitor, the solicitor provides the client with a copy of CMS' written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of CMS discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of CMS' written disclosure brochure at the time of the solicitation.

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### Other Economic Benefits

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In addition, CMS is required to disclose any relationship or arrangement where it receives an economic benefit from a Third Party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed below.

### Software and Support Provided by Financial Institutions

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CMS may receive from *Charles Schwab & Co Inc*, without cost to CMS, computer software and related systems support, which allow CMS to better monitor client accounts maintained at *Charles Schwab & Co Inc*. CMS may receive the software and related support without cost because CMS renders investment management services to clients that maintain assets at *Charles Schwab & Co Inc*. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit CMS, but not its clients directly. In fulfilling its duties to its clients, CMS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that CMS’ receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence CMS’ choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

There is no direct link between CMS’ participation in Charles Schwab & Co Inc institutional customer program and the investment advice it gives to its clients, although CMS receives economic benefits through its participation in the program that are typically not available to *Charles Schwab & Co* retail investors. Additionally, CMS may receive the following benefits from *Charles Schwab & Co Inc* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Firm also has the ability deduct advisory fees 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, research, technology, and practice management products or services provided to the Firm by

third party vendors. Charles Schwab & Co may fund business consulting and professional services received by CMS' related persons.

Some of the products and services made available by *Charles Schwab & Co Inc* through the program may benefit CMS but not its client. These products or services may assist CMS in managing and administering client accounts, including accounts not maintained at *Charles Schwab & Co Inc*. Other services made available by *Charles Schwab & Co Inc* are intended to help CMS manage and further develop its business enterprise. The benefits received by CMS' participation in the program do not depend on the amount of brokerage transactions directed to *Charles Schwab & Co Inc*.

### Financial Information

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CMS is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **CAPITAL MANAGEMENT SERVICES, INC.**

*a Registered Investment Adviser*

Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*