



## FORM ADV PART 2

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March 20, 2024

This Brochure provides information about the qualifications and business practices of Capstone Wealth Management, LLC d/b/a JMF Capstone Wealth Management ("Capstone"). If you have any questions about the contents of this Brochure, please contact us at (205) 349-2050. 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.

Capstone 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 Capstone also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Capstone is 118296.



## **Item 2 – Material Changes**

This Item of the Brochure will discuss only specific material changes that are made to the Brochure since the last annual update and provide clients with a summary of such changes.

Please note that we have updated the Assets Under Management information of Item 4 in accordance with the filing of our Annual Updating Amendment on March 20, 2024, and we have slightly revised the language under Investment Management Services to better align with our investment philosophy. There are no other material changes made.

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 a member of our compliance department at (205) 349-2050.

(Brochure Date: 03/20/2024)

(Date of Most Recent Annual Updating Amendment: 03/20/2024)

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## Item 4 – Advisory Business

Capstone is owned 100% by JMF Wealth Management, LLC. Capstone has been providing advisory services since 1999.

As of December 31, 2023, Capstone managed \$333,317,515 on a discretionary basis and \$3,056,449 on a nondiscretionary basis. In addition, we advised on \$75,694,780 of self-directed retirement account assets.

### **Investment Management Services:**

Capstone manages investment portfolios for individuals (including high net worth individuals), qualified retirement plans, trusts, charitable organizations and foundations as well as corporations and small businesses. Capstone works with clients to determine the client's specific investment objectives and these may be set forth in a written Investment Policy Statement that describes an asset allocation model that conforms to a client's risk tolerance level. Investment and portfolio allocation software may be used to evaluate alternative portfolio designs. Capstone evaluates clients' existing investments with respect to their investment policy statements and works with new clients to develop a plan to transition from client's existing portfolio to the portfolio recommended by Capstone. Capstone then continuously monitors client's portfolio holdings and overall asset allocation strategies and holds regular review meetings with clients regarding their account, as necessary.

Capstone will typically create a portfolio of passively and/or evidence-based mutual funds and exchange traded funds, and, where appropriate, can use model portfolios if the models match a client's investment policy. Capstone will allocate a client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds or exchange traded funds (ETFs) that follow a passive and/or evidence-based investment philosophy generally have low holdings turnover. Consequently, the fund expenses are generally lower than fees and expenses charged by other types of funds. Client portfolios can also include some individual equity securities where disposition of these securities would present an overriding tax implication, or the client specifically requests they be retained for a personal reason. Capstone manages portfolios on a discretionary and, in very limited circumstances, on a non-discretionary basis. A client may impose any reasonable restrictions on Capstone's discretionary authority, including restrictions on the types of securities in which Capstone may invest client's assets and on specific securities, which the client may believe to be appropriate.

Capstone may also recommend fixed income portfolios to investment management clients,

which consist of managed accounts of individual bonds. Capstone will request discretionary authority from investment management clients to manage fixed income portfolios, including the discretion to retain a third-party fixed income manager.

On an ongoing basis, Capstone will answer clients' inquiries regarding their accounts and review periodically with clients the performance of their accounts. Capstone will periodically, and at least annually, review clients' investment policy, risk profile and discuss the re-balancing of each client's accounts to the extent appropriate. Capstone will provide to investment manager any updated client financial information or account restrictions necessary for investment manager to provide sub-advisory services.

In addition to managing the client's investment portfolio, Capstone may consult with clients on various financial areas including income and estate tax planning, business sale structures, college financial planning, retirement planning, insurance analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things.

#### Selection of Independent Managers

Capstone may retain third-party investment advisers to manage a portion of the clients' assets. Pursuant to the terms of the investment advisory agreement, Capstone will have the discretion to hire and terminate these third-party advisers.

Pursuant to its discretionary authority, Capstone will retain a fixed income securities manager. The fixed income securities manager will be provided with the discretionary authority to invest client assets in fixed income securities. The manager will also monitor the account for changes in credit ratings, security call provisions, and tax loss harvesting opportunities (to the extent that the manager is provided with cost basis information). The manager will obtain Capstone's consent prior to the sale of any client securities.

Additionally, Capstone may allocate a portion of a portfolio to an independent third-party investment advisor ("Independent Manager") for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Pursuant to the terms of the investment advisory agreement, Capstone shall have the discretion to appoint and terminate these third-party advisers. The specific terms and conditions under which a client engages an Independent Manager may also be set forth in a separate written agreement with the designated

Independent Manager. However, not all Independent Managers require a separate advisory agreement with the designated Independent Manager. Disclosure of the use of an Independent Manager and their additional fees will be provided to clients. Independent Managers utilized by Capstone include BSP, Dimensional Funds Advisors, Parametric and Aperio.

## Financial Planning Services

Capstone may utilize the services of Delegated Planning, LLC, an independent, registered investment advisor that provides financial planning support services to other registered investment advisors. The services provided by Delegated Planning, LLC are tailored to Capstone's specific requests and generally include the following:

- Developing new or updating existing financial plans for clients of Capstone, encompassing specific planning areas. These areas may include:
  - **Cash Flow Analysis:** Create a statement of cash flow to illustrate inflows and outflows of cash. Determine if calculations match expectations of financial projections.
  - **Balance Sheet Analysis:** Create a net worth statement.
  - **Retirement Analysis:** Projecting if clients will have the resources to achieve their stated retirement goals. If not, provide optional strategies and choices to improve the probability of success.
  - **Survivorship Needs Analysis:** Determine if current life insurance coverage is appropriate given clients' resources and stated survivorship goals. If not, provide optional strategies and choices to improve the probability of success.
  - **Disability Needs Analysis:** Determine if current disability insurance coverage is appropriate given clients' resources and stated financial goals. If not, provide optional strategies and choices to improve the probability of success.
  - **Long-Term Care Needs Analysis:** Run a projection to stress test the impact of long-term care costs on retirement. Provide optional strategies and choices to improve the probability of success.
  - **Education Funding Analysis:** Determine if clients will have the resources to achieve their stated education goals. If not, provide optional strategies and choices to improve the probability of success.
- Researching issues relating to any of the items listed above.

All financial plans and deliverables are reviewed and approved by Capstone, who then presents the final plan to our client. Although Delegated Planning may have contact with Capstone's clients, communications generally relate to data gathering and communications at the request of Capstone. No advice is provided directly to Capstone's

clients by Delegated Planning without pre-approval from the Financial Advisory Firm.

### **Employee Benefit Retirement Plan Services:**

Capstone also provides advisory services to participant-directed employee retirement benefit plans. Capstone will analyze the plan's current investment platform, and assist the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. Capstone will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles.

Capstone will recommend changes in the plan's investment vehicles as may be appropriate from time to time. Capstone generally will review the plan's investment vehicles and investment policy as necessary.

For certain retirement plans, Capstone also works in coordination and support with Buckingham Strategic Partners, LLC. Retirement plan clients will engage both Capstone and Buckingham Strategic Partners, LLC. Buckingham Strategic Partners, LLC will provide to the client additional discretionary investment management services and will exercise discretionary authority to select the plan investments made available to the plans' participants by selecting and maintain the plans' investments according to the goals and investment objectives of the plan.

Capstone will continue to work with plans to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

## **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by Capstone is established in a client's written agreement with Capstone. Clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value based on independent third party sources or fair market value in the absence of market value; client account balances on which Capstone calculates fees may vary from account custodial statements based on independent valuations and other accounting variances, including mechanisms for including accrued interest in account statements) of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first trade).

Capstone will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian. Clients may provide written limited authorization to Capstone or its designated service provider, Buckingham Strategic Partners, LLC, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third-party administrators will calculate and debit Capstone's fee and remit such fee to Capstone.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

Capstone'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, 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. These fees will generally include a management fee and other fund expenses. All fees paid to Capstone for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.

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

### **Advisory Fees**

#### **Investment Management Services:**

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below, although fees may be negotiated:

<b>Assets under management</b>	<b>Annual Fee (%)</b>
First \$500,000	1.25%
Next \$500,000	0.90%
Next \$1,000,000	0.70%
Next \$1,000,000	0.50%
Next \$2,000,000	0.40%
On all amounts thereafter	0.35%



Minimum Annual Fee:       \$5,000

### **Employee Benefit Retirement Plan Services**

Assets Under Management	Buckingham Strategic Partners' Annual Fee	Capstone's Annual Fee	Total Fee
On the first \$1,000,000	0.20%	0.70%	0.90%
On the next \$1,000,000	0.15%	0.60%	0.75%
On the next \$3,000,000	0.15%	0.40%	0.55%
On the next \$5,000,000	0.08%	0.25%	0.33%
On all amounts above \$10,000,000	0.05%	0.15%	0.20%

Certain pre-existing employee benefit plan services clients may be on a different fee schedule.

In certain circumstances, all fees, account minimums and their applications to family circumstances may be negotiable.

### **Independent Managers**

Capstone can also recommend client's assets be managed by Independent Managers. Fees for assets managed by an Independent Manager will vary based on the Independent Manager's fee schedule and will generally range from 0.18 - 0.45% annually. Independent Managers' fees can be in addition to Capstone's advisory fee noted above and they will deduct their own fee directly from the client's assets separately from the Capstone fee. Clients should refer to the Independent Manager's Form ADV Part 2A Brochure for information on their fees and compensation.

Capstone has contracted with Buckingham Strategic Partners, LLC, for services including trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. Capstone has also contracted with Buckingham Strategic Partners, LLC for sub-advisory services with respect to clients' fixed income accounts.

Capstone pays a fee for Buckingham Strategic Partners, LLC services based on management fees paid to Capstone on accounts that use Buckingham Strategic Partners, LLC. The fee paid by Capstone to Buckingham Strategic Partners, LLC consists of a portion of the fee paid by clients to Capstone and varies based on the total client assets participating in Buckingham Strategic Partners, LLC through Capstone. These fees are not separately charged to advisory clients.

#### Financial Planning Services

Fees charged to Capstone by Delegated Planning, LLC for Financial Planning Services are not billed to the client. All fees are absorbed by Capstone.

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

Capstone 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). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

### **Item 7 – Types of Clients**

Capstone provides services to individuals (including high net worth individuals), qualified retirement plans, trusts, charitable organizations and foundations as well as corporations and small businesses.

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

#### *Methods of Analysis and Investment Strategy*

Capstone's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. Capstone's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. Capstone recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds and exchange traded funds. Capstone selects or recommends to clients portfolios of securities, principally broadly-traded open end mutual funds, exchange traded funds or conservative fixed income securities to implement this investment strategy.

Although all investments involve risk, Capstone's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. Capstone's investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that Capstone's strategy seeks to minimize.

In the implementation of investment plans, Capstone therefore primarily uses mutual funds and, as appropriate, portfolios of conservative fixed income securities. Capstone may also utilize Exchange Traded Funds (ETFs) to represent a market sector. If appropriate for a particular client, Capstone recommends certain alternatives that are still registered investment company funds.

Clients may hold or retain other types of assets as well, and Capstone may offer advice regarding those various assets as part of its services. Advice regarding such assets will generally not involve asset management services but may help to more generally assist the client.

Capstone's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

Academic evidence supports modest use of alternative investment strategies and if appropriate for client specific situations. While Capstone is generally skeptical of most alternative investment strategies, Capstone believes there are a few alternative strategies accessed in mutual fund form that can enhance portfolio forward-looking forecasted returns and/or reduce portfolio volatility. Allocations here, however, should be relatively modest since some of these strategies have relatively high expense ratios and can be tax inefficient.

Capstone receives supporting research from Buckingham Strategic Partners, LLC and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). Capstone utilizes DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to Capstone.

#### *Analysis of a Client's Financial Situation*

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, Capstone relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a

recommended asset allocation, Capstone may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis
- The risk that future rates of return will fall short of the estimates used in the simulation
- The risk that inflation will exceed the estimates used in the simulation
- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

### *Risk of Loss*

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

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by Capstone may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in Capstone's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by Capstone may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

Certain alternative funds (registered under the Investment Company Act of 1940) utilized by Capstone may employ use of derivatives, options, futures and/or short sales. Use of derivatives, options or futures by a Fund may be for purposes of gaining exposure to a particular asset group, for hedging purposes or for leverage purposes. The use of derivatives, options and futures exposes the funds to additional risks and transaction costs. In addition, if the Fund uses leverage through activities such as entering into short sales or purchasing derivative instruments, there are additional risk, including the fund having the risk that losses may exceed the net assets of the fund. The net asset value of a fund while employing leverage will be more volatile and sensitive to market movements. Clients should carefully review the fund's prospectus to more fully understand the risk of funds employing the use of derivatives, options, futures and/or short sales. Investments in these funds should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some or all of the investment. The risk of loss described herein should not be considered to be an exhaustive list of all the risks which clients should consider.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

## **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 Capstone or the integrity of Capstone's management. Capstone has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Affiliated Accounting Firm**

Capstone is a registered investment adviser. Capstone is affiliated through common ownership with JamisonMoneyFarmer PC, an accounting firm. JamisonMoneyFarmer PC also provides pension consulting services.

Capstone may recommend JamisonMoneyFarmer PC to advisory clients in need of accounting or pension consulting services. Accounting and pension consulting services provided by JamisonMoneyFarmer PC are separate and distinct from the advisory services of Capstone, and are provided for separate and typical compensation. The referral of clients between Capstone and JamisonMoneyFarmer PC presents a conflict of interest, however,

no Capstone client is obligated to use JamisonMoneyFarmer PC for any accounting or pension consulting services, nor is a JamisonMoneyFarmer PC client obligated to retain Capstone for advisory services.

#### Buckingham Strategic Partners, LLC

As described above in Item 4, Capstone may exercise discretionary authority provided by a client to select an independent third-party investment manager for the management of portfolios of individual fixed income securities. Capstone selects Buckingham Strategic Partners, LLC, for such fixed income management. Capstone also contracts with Buckingham Strategic Partners, LLC for back office services and assistance with portfolio modeling. Capstone has a fiduciary duty to select qualified and appropriate managers in the client's best interest, and believes that Buckingham Strategic Partners, LLC effectively provides both the back-office services that assist with its overall investment advisory practice and fixed income portfolio management services. The management of Capstone continuously makes this assessment. While Capstone has a contract with Buckingham Strategic Partners, LLC governing a time period for back office services, Capstone has no such fixed commitment to the selection of Buckingham Strategic Partners, LLC for fixed income management services and may select another investment manager for clients upon reasonable notice to Buckingham Strategic Partners, LLC.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

Capstone has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Capstone's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth Capstone's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with Capstone may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of Capstone that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, Capstone requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's principal. Capstone also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

Capstone's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. Capstone requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

Capstone will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

It is Capstone's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Capstone will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, 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 private fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, 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 advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Capstone arranges for the execution of securities transactions with the assistance of Buckingham Strategic Partners, LLC. Through Buckingham Strategic Partners, LLC, Capstone participates in the Schwab Advisor Services (SAS) program offered to independent investment advisers by Charles Schwab & Company, Inc., member FINRA/SIPC, and the Fidelity Institutional Wealth Services (FIWS) program offered to independent investment advisers, sponsored by Fidelity Brokerage Services, LLC ("Fidelity"), member FINRA/SIPC. Schwab and Fidelity are unaffiliated SEC-registered broker dealers and FINRA member broker dealers.

Additionally, Capstone offers a cash management aggregator system named Flourish Cash. Flourish Cash is a service offered by an unaffiliated third-party, Flourish Financial, LLC. A Flourish Cash account is a brokerage account whereby the cash balance is swept from the brokerage account to deposit accounts at one or more third-party banks that have agreed to accept deposits from customers of Flourish Cash. Flourish Financial, LLC is an indirect, wholly owned subsidiary of Massachusetts Mutual Life Insurance Company. Please refer to

the applicable disclosures provided separately by Flourish Financial, LLC upon account opening.

The Schwab and Fidelity brokerage programs will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. Capstone regularly reviews these programs to ensure that its recommendations are consistent with its fiduciary duty. These trading platforms are essential to Capstone's service arrangements and capabilities, and Capstone may not accept clients who direct the use of other brokers. As part of these programs, Capstone receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

As Capstone will not request the discretionary authority to determine the broker dealer to be used or the commission rates to be paid for mutual fund and equity securities transactions, clients must direct Capstone as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Capstone will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

Capstone will not exercise authority to arrange client transactions in fixed income securities. Clients will provide this authority to a fixed income manager retained by Capstone on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of portfolio manager.

SAS and FIWS do not generally charge clients a custody fee and are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the broker or that settle into the clients' accounts at the brokers. Trading client accounts through other brokers may result in fees (including mark- ups and mark-downs) being charged by the custodial broker and an additional broker. While Capstone will not arrange transactions through other brokers, the authority of the fixed income portfolio manager includes the ability to trade client fixed income assets through other brokers.

Capstone does not have any arrangements to compensate any broker dealer for client referrals.

Capstone does not maintain any client trade error gains. Capstone makes client whole with respect to any trade error losses incurred by client caused by Capstone.



Capstone generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which Capstone arranges transactions. Buckingham Strategic Partners, LLC, in the management of fixed income portfolios, will aggregate certain transactions among client accounts that it manages, in which case a Capstone client's orders may be aggregated with an order for another client of Buckingham Strategic Partners, LLC who is not a Capstone client. See Buckingham Strategic Partners, LLC's Form ADV Part 2.

#### **Employee Benefit Retirement Plan Services:**

Capstone does not arrange for the execution of securities transactions for plans as a part of this service. Transactions are executed directly through employee plan participation. Capstone may, however, arrange for execution of securities transactions for certain plans custodied with Schwab or Fidelity.

### **Item 13 – Review of Accounts**

#### **Reviews:**

#### **Investment Management Services:**

Account assets are supervised continuously and formally reviewed quarterly. Advisory personnel are assigned to each account. The review process contains each of the following elements:

- a. assessing client goals and objectives;
- b. evaluating the employed strategy(ies);
- c. monitoring the portfolio(s); and
- d. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a. a specific client request;
- b. a change in client goals and objectives;
- c. an imbalance in a portfolio asset allocation;
- d. market/economic conditions; and
- e. realizing tax losses in an account.

For fixed income portfolios, certain account review responsibilities are delegated to a third-party investment manager as described above in Item 4.

**Employee Benefit Retirement Plan Services:**

Retirement plan assets are reviewed as necessary and according to the standards and situations described above for investment management accounts.

**Reports:**

**Investment Management Services:**

All clients will receive quarterly performance reports, prepared by Buckingham Strategic Partners, LLC and reviewed by Capstone, that summarize the client's account and asset allocation. Quarterly reports include portfolio performance review, current positions and current market value. Clients will also receive at least quarterly statements from their account custodian, which will outline the client's current positions and current market value.

**Employee Benefit Retirement Plan Services:**

Employee Benefit Plan clients generally receive statements only from their account custodian. Capstone may, however, provide reporting services for certain plans custodied at Schwab or Fidelity.

Plan sponsors are provided with quarterly information and annual performance reviews from Capstone. In addition, plan participant education information may also be provided to the Plan Sponsor or Administrator for distribution to the participants of the plan.

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

**Client Referrals**

Capstone may from time to time compensate, either directly or indirectly, any person, (defined as a natural person or a company) including affiliated persons, for client referrals. Capstone is aware of the special considerations promulgated under Section 206(4)-1 of the Investment Advisers Act of 1940 and similar state regulations. Should Capstone elect to compensate such persons, appropriate disclosure shall be made, all written instruments will be maintained by Capstone and all applicable Federal and/or State laws will be observed.

### Other Compensation

As indicated under the disclosure for Item 12, SAS and FIWS each respectively provide Capstone with access to additional services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit Capstone but may not benefit its clients' accounts. Many of the products and services assist Capstone in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Capstone's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Capstone's accounts. Recommended brokers also make available to Capstone other services intended to help Capstone manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. Capstone does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, Capstone endeavors to act in its clients' best interests, Capstone's requirement that clients maintain their assets in accounts at SAS or FIWS may be based in part on the benefit to Capstone of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

Capstone also receives software from DFA, which Capstone utilizes in forming asset allocation strategies and producing performance reports. DFA also provides continuing education for Capstone personnel. These services are designed to assist Capstone plan and design its services for business growth.

### **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. Capstone 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 may vary from custodial

statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Capstone maintains Standing Letters of Authorization (SLOAs) arrangements with some of their clients that meet the seven representations set forth in the SEC February 2017 No-Action Letter. Therefore, Capstone has responded affirmatively to Form ADV Part 1, Items 9.A.(1) & (2). Capstone also maintains arrangements to withdraw its advisory fees directly from a client's account.

## **Item 16 – Investment Discretion**

Capstone requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. For fixed income securities, this authority will include the discretion to retain a third-party money manager for fixed income accounts. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

When selecting securities and determining amounts, Capstone observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Capstone in writing.

## **Item 17 – Voting *Client* Securities**

Class Actions, Bankruptcies and Other Legal Proceedings: Clients should note that Capstone will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct Capstone to transmit copies of class action notices to the client or a third party. Upon such direction, Capstone will make commercially reasonable efforts to forward such notices in a timely manner.

Proxy Disclosures: As a matter of firm policy and practice, Capstone does not accept the authority to and does not vote proxies on behalf of advisory client. For any pension plan or other employee benefit plan governed by ERISA, the right and responsibility to vote proxies has been expressly reserved to the plan trustees or other plan fiduciary. Clients retain the responsibility for receiving and voting proxies for any and all securities

maintained in client portfolios. Clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios. Capstone, however, may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Capstone's financial condition. Capstone 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.