

BROCHURE

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March 16, 2016

This brochure provides information about the qualifications and business practices of Capstone Wealth Management, LLC (hereinafter “Capstone” or the “firm”). If you have any questions about the contents of this brochure, please contact Cory M. Chmelka at (646) 214-8700. 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 Capstone Wealth Management, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Capstone Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

MATERIAL CHANGES (Item 2)

This Item discusses only the material changes that have occurred since Capstone's last annual update on February 29, 2016 and Capstone's previous annual update on March 14, 2015.

Capstone has made the following material changes since February 29, 2016:

- Item 8: Capstone has added risk sections on Equities, Fixed Income, Options and Margin.

Capstone has made the following material changes since March 14, 2015:

- Item 5: Capstone's annual fee for investment management is prorated and charged monthly in advance, based upon the market value of the assets being managed by Capstone on the last day of the previous month. In addition, all assets that are added or withdrawn from an account mid-month are billed (for additions) or credited (for withdrawals) pro-rata at the appropriate rate listed below during the following month's billing cycle.
- Item 1: Capstone is now located at:

485 Madison Ave, 7th Flr
New York, NY 10022

- Item 10: Capstone has amended Item 10 to indicate that the Firm is a licensed insurance agent. For further information please see Item 10.
- Item 10: Capstone is under common control with its affiliated SEC registered investment adviser, Soundwatch Capital, LLC ("Soundwatch"). Certain *Supervised Persons* of Capstone have an ownership position in Soundwatch. Capstone may recommend that Soundwatch act as an *Independent Manager* for certain Capstone clients. A conflict of interest exists to the extent that Capstone recommends Soundwatch's investment advisory services because Capstone's Supervised Persons will profit due to their ownership in Soundwatch. Capstone will only utilize Soundwatch as an *Independent Manager* where it is in the best interest of clients.

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ADVISORY SERVICES (Item 4)

Since February 12, 2009, Capstone has been in business as an SEC registered investment adviser. Founded by the firm's current principal owners, Robert T. Brown, Cory M. Chmelka and Matthew A. Marcello, it is Capstone's mission to provide clients with the framework required to make integrated financial decisions that are based on strong financial principles and strategies. Through communication, education and a team-based approach, the Firm strives to create an environment that supports financial security, growth and independence.

Capstone is a full service wealth management firm offering clients a variety of financial planning, consulting and investment management services. Prior to engaging Capstone to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Capstone setting forth the terms and conditions under which Capstone renders its services (collectively the "Agreement").

As of November 30, 2015, Capstone had \$134,008,161 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of Capstone. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Capstone's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Capstone's behalf and is subject to Capstone's supervision or control.

Financial Planning and Consulting Services

Capstone offers clients a broad range of comprehensive financial planning and consulting services, addressing a multitude of investment and non-investment related matters which may include, but is not limited to, the following:

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|-------------------------------|-----------------------|
| • Asset protection strategies | • Risk management |
| • Charitable giving | • Retirement planning |
| • Philanthropic planning | • Tax strategies |
| • Education funding | • Estate planning |
| • Insurance coverage | • Succession planning |

In performing its services, Capstone is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Capstone may recommend the services of itself, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Capstone recommends its own services. The client is under no obligation to act upon any of the recommendations made by Capstone under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Capstone itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Capstone's recommendations. Clients are advised that it remains their responsibility to promptly notify Capstone if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Capstone's previous recommendations and/or services.

Investment Management Services

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

Capstone primarily allocates client's investment management assets among Independent Managers (as defined below), individual equities, bonds, mutual funds, exchange traded funds, options and other public securities or investments.

Capstone also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Capstone either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Capstone tailors its advisory services to the individual needs of clients. Capstone consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Capstone ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Capstone if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Capstone's management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in Capstone's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Use of Independent Managers

As mentioned above, Capstone may select for certain clients the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Independent Managers"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Capstone or the client and the designated Independent Managers. Capstone renders services to the client relative to the discretionary and/or non-discretionary selection of Independent Managers. Capstone also monitors and reviews the account performance and the client's investment objectives. Capstone receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When selecting an Independent Manager for a client, Capstone reviews information about the Independent Manager such as its disclosure brochure and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Capstone considers in selecting an Independent Manager include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Capstone's investment advisory fee set forth below. As discussed above, the client may incur additional fees than those charged by Capstone, the designated Independent Managers, and corresponding broker-dealer and custodian.

In addition to Capstone's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Capstone. In such instances, Capstone may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

FEES AND COMPENSATION (Item 5)

Capstone offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of Capstone's Supervised Persons, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

Financial Planning and Consulting Fees

Capstone charges a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$15,000 on a fixed fee basis and/or \$250.00 to \$500.00 on an hourly basis. These fees are largely determined by the level and scope of the services and the professional engaged to render them. If the client engages Capstone for additional investment advisory services, Capstone may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Capstone to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Capstone setting forth the terms and conditions of the engagement. Generally, Capstone requires one-half of the financial planning or consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

Investment Management Fees

The firm provides investment management services for an annual fee based upon a percentage of the assets under management. Capstone's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. Capstone does not, however, receive any portion of these commissions, fees, and costs. Capstone's annual fee is prorated and charged monthly in advance, based upon the market value of the assets being managed by Capstone on the last day of the previous month. The annual fee varies (between 0.50% and 0.95%) depending upon the size of the client's investment portfolio and the type of services rendered, as follows:

Capstone Wealth Management, LLC – Investment Management Fee Schedule

<i>Portfolio Value</i>	<i>Annual Base Fee</i>
First \$1,000,000	.95%
Next \$4,000,000	.90%
Next \$5,000,000	.80%
Above \$10,000,000	.50%

As described in Item 13 (below), if an investment management client engages Capstone to provide supplemental account related reports, in addition to those sent by the client's custodian, the firm charges an additional annual fee of \$100.00 per account. This fee is prorated and charged at the same time and interval as the firm's investment management fee.

Capstone, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Capstone generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") and/or Wilmington Trust Corp. ("Wilmington Trust") for investment management accounts.

Capstone may only implement its investment management recommendations after the client has arranged for and furnished Capstone with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Schwab, Wilmington Trust, any other broker-dealer recommended by Capstone, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Capstone's fee.

Fee Debit

Capstone's Agreement and the separate agreement with any Financial Institutions may authorize Capstone or Independent Managers to debit the client's account for the amount of Capstone's fee and to directly remit that management fee to Capstone or the Independent Managers. Any Financial Institutions recommended by Capstone have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Capstone. Alternatively, clients may elect to have Capstone send an invoice for payment.

Fees for Management During Partial Months or Quarters of Service

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between Capstone and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Capstone's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

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

All assets that are added or withdrawn from an account mid-month are billed (for additions) or credited (for withdrawals) pro-rata at the appropriate rate listed below during the following month's billing cycle.

Commissions or Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with Capstone (but not Capstone) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Capstone. Under this arrangement, clients may implement securities transactions through certain of Capstone's Supervised Persons in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments ("PKS"), an SEC registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such Supervised Persons. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of Capstone's Supervised Persons may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Clients are advised that Capstone also recommends no-load funds.

A conflict of interest exists to the extent that Capstone recommends the purchase of securities where Capstone's Supervised Persons receive commissions or other additional compensation as a result of Capstone's recommendations. Capstone has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients.

For accounts covered by ERISA (and such others that Capstone, in its sole discretion deems appropriate), Capstone provides its investment advisory services on a fee-offset basis. In this scenario, Capstone may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by Capstone's Supervised Persons in their individual capacities as registered representatives of PKS.

Capstone's Supervised Persons currently devote approximately five percent (5%) of their time to commission securities brokerage business.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT (Item 6)

Capstone does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

TYPES OF CLIENTS (Item 7)

Capstone provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimum Account Size

As a condition for starting and maintaining a relationship, Capstone generally imposes a minimum portfolio size of \$1,000,000. Capstone, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, and dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and pro bono activities. Capstone only accepts clients with less than the minimum portfolio size if, in the sole opinion of Capstone, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Capstone may aggregate the portfolios of family members to meet the minimum portfolio size.

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

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS (Item 8)

Investment Strategies

Capstone Wealth Management manages client assets on a discretionary basis. Capstone primarily allocates client's investment management assets among Independent Managers, individual equities, bonds, mutual funds, exchange traded funds, options and other public securities or investments.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations with Capstone. The client may change these objectives at any time. Each client completes a risk tolerance questionnaire and suitability profile that documents their investment objectives, risk tolerance and desired investment strategy.

Methods of Analysis

Fundamental analysis involves an assessment of the fundamental financial condition and competitive position of a company. This approach generally involves an analysis of the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using 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 Capstone will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that Capstone is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Risks of Loss

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. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

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, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. 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 50,000 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.

Equity Market Risks

Capstone will generally invest portions of client assets directly into equity investments, either individual stocks or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

Option Risks

Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. The purchaser of a put or call option will lose all of the cost of the option (the premium). Most options expire "out of the money," meaning the purchaser will lose any opportunity to recoup the loss of premium or to profit on the option transaction. Selling puts and/or calls in a particular equity does not eliminate the downside risk of owning that equity, as described in "Equity Market Risks," above. There are additional significant risks involved in selling uncovered or "naked" puts or calls, that is, puts or calls on securities in which you as the client do not already own an underlying position in the security.

If you have been approved for options trading, you received a copy of the booklet "Characteristics and Risks of Standardized Options" published by the Options Clearing Corporation. You also represented to the custodian of your account that you agreed to read the booklet. We (Capstone) encourage you to read the booklet, which further explains the risks of particular options strategies. If you need another copy, please notify us.

Margin Risks

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account;
- The account custodian or clearing firm can force the sale of securities or other assets in your account;
- The account custodian or clearing firm can sell your securities or other assets without contacting you;
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call;

- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities;
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and are not required to provide you advance written notice; and
- You are not entitled to an extension of time on a margin call.

Fixed Income Risks

Capstone may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

Market Risks

The profitability of a significant portion of Capstone’s 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 Capstone will be able to predict those price movements accurately.

Use of Independent Managers

Capstone may recommend the use of *Independent Managers* for certain clients. Capstone will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Capstone does not have the ability to supervise the Independent Managers on a day-to-day basis other than as previously described in response to Item 4, above.

Management Through Similarly Managed Accounts

For certain clients, Capstone may manage portfolios by allocating portfolio assets among various mutual funds and securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, Capstone buys, sells, exchanges and/or transfers shares of mutual funds and securities based upon the investment strategy.

Capstone’s management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the investment strategy are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to Capstone’s clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Capstone to buy, sell, exchange or transfer securities consistent with its investment strategy. As further discussed in response to Item 12B (below), Capstone allocates investment opportunities among its clients on a fair and equitable basis.

General Risk of Loss

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

DISCIPLINARY INFORMATION (Item 9)

Capstone is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Capstone does not have any required disclosures to report in response to this Item.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)

Capstone is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

Registered Representatives of Broker Dealer

Certain of Capstone's *Supervised Persons* are registered representatives of *PKS* and may provide clients with securities brokerage services under a separate commission-based arrangement. This relationship is discussed further in response to Item 5 (above).

Receipt of Insurance Commission

Our Firm is an insurance agent that offers and sells insurance products to clients. Our insurance products are issued by separate and distinct issuers.

Certain of Capstone's Supervised Persons, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that Capstone recommends the purchase of insurance products where Capstone's Supervised Persons receive insurance commissions or other additional compensation. Capstone's Supervised Persons currently devote up to approximately thirty-five percent (35%) of their time to insurance sales.

In our capacity as an insurance agent, we will receive separate, yet customary compensation for insurance product sales. Please be advised that insurance products are available through other channels, and as a prospective client or client, you are not obligated to purchase insurance products recommended by our Capstone. Receiving compensation on the sale of insurance products, creates a conflict of interest in that we have an incentive to recommend such products. We manage this conflict by always recommending suitable insurance products for our clients.

Related Investment Adviser

Capstone is under common control with its affiliated SEC registered investment adviser, Soundwatch Capital, LLC ("Soundwatch"). Certain Supervised Persons of Capstone have an ownership position in Soundwatch. Capstone may recommend that Soundwatch act as an Independent Manager for certain Capstone clients. A conflict of interest exists to the extent that Capstone recommends Soundwatch's investment advisory services because Capstone's Supervised Persons will profit due to their ownership in Soundwatch. Capstone will only utilize Soundwatch as an Independent Manager where it is in the best interest of clients.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (Item 11)

Capstone and persons associated with Capstone ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the firm's policies and procedures.

Capstone has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). Capstone's Code of Ethics contains written policies

reasonably designed to prevent the unlawful use of material non-public information by the firm or any of its associated persons. The Code of Ethics also requires that certain of Capstone's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When the firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may 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.

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 above.

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

BROKERAGE PRACTICES (Item 12)

As discussed above, in Item 5, Capstone generally recommends that clients utilize the brokerage and clearing services of *Schwab* and/or *Wilmington Trust*.

Factors which Capstone considers in recommending *Schwab* and/or *Wilmington Trust* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* and/or *Wilmington Trust* enable Capstone to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* and/or *Wilmington Trust* may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Capstone's clients comply with Capstone's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Capstone determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Capstone seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Capstone periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Capstone in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Capstone will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Capstone (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of

best execution, Capstone may decline a client's request to direct brokerage if, in Capstone's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Capstone decides to purchase or sell the same securities for several clients at approximately the same time. Capstone may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Capstone's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Capstone's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Capstone determines to aggregate client orders for the purchase or sale of securities, including securities in which Capstone's Supervised Persons may invest, Capstone generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Capstone does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Capstone determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Capstone may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Capstone in its investment decision-making process. Such research generally will be used to service all of Capstone's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Capstone does not have to produce or pay for the products or services.

Commissions or Sales Charges for Recommendations of Securities

As discussed above, certain Supervised Persons in their respective individual capacities, are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKS provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through PKS unless they first secure written consent from CBD to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKS under PKS's internal supervisory policies. Capstone is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Software and Support Provided by Financial Institutions

Capstone may receive from Schwab and/or Wilmington Trust, without cost to Capstone, computer software and related systems support, which allow Capstone to better monitor client accounts maintained at Schwab and/or Wilmington Trust. Capstone may receive the software and related support without cost because Capstone renders investment management services to clients that maintain assets at Schwab and/or Wilmington Trust. 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 Capstone, but not its clients directly. In fulfilling its duties to its clients, Capstone endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Capstone's receipt of economic benefits from a broker-

dealer creates a conflict of interest since these benefits may influence Capstone's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Capstone may receive the following benefits from Schwab through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional 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.

REVIEW OF ACCOUNTS (Item 13)

Account Reviews

For those clients to whom Capstone provides investment management services, Capstone 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 Capstone provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one or more of the Managing Members of Capstone, Matthew A. Marcello, Cory M. Chmelka and/or Robert T. Brown. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Capstone and to keep Capstone informed of any changes thereto. Capstone 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.

Account Statements and Supplemental Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Capstone provides investment advisory services may engage Capstone provide them with a supplemental report including relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time. The firm charges an additional fee for such reports, as discussed in response to Item 5 (above). Clients should compare the account statements they receive from their custodian with those they receive from Capstone to ensure accuracy.

Financial Planning and/or Consulting Reports

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

CLIENT REFERRALS AND OTHER COMPENSATION (Item 14)

Economic Benefits

Capstone is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. Capstone may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12 (above).

Client Referrals

If a client is introduced to Capstone by either an unaffiliated or an affiliated solicitor, Capstone 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 Capstone’s investment management fee, and does not result in any additional charge to the client. If the client is introduced to Capstone by an unaffiliated solicitor, the solicitor provides the client with a copy of Capstone’s 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 Capstone 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 Capstone’s written disclosure brochure at the time of the solicitation.

CUSTODY (Item 15)

Capstone's Agreement and/or the separate agreement with any *Financial Institution* may authorize Capstone through such *Financial Institution* to debit the client's account for the amount of Capstone's fee and to directly remit that management fee to Capstone in accordance with applicable custody rules.

The *Financial Institutions* recommended by Capstone have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Capstone. In addition, as discussed in Item 13, Capstone may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Capstone.

INVESTMENT DISCRETION (Item 16)

Capstone may be given the authority to exercise discretion on behalf of clients. Capstone is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Capstone is given this authority through a power-of-attorney included in the agreement between Capstone and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Capstone takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

VOTING CLIENT SECURITIES (Item 17)

Capstone is required to disclose if it accepts authority to vote client securities. Capstone does not vote client securities on behalf of its clients. Clients are responsible for making elections relative to mergers, acquisitions, tender offers, bankruptcy proceedings and other type events pertaining to the securities in the account. Clients receive proxies directly from the *Financial Institutions*.

FINANCIAL INFORMATION (Item 18)

Capstone 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.