

# **CS CAPITAL MANAGEMENT, INC.**

## **Form ADV Part 2 – Disclosure Brochure**

**March 31, 2013**

This Brochure provides information about the qualifications and business practices of CS Capital Management, Inc. (“CSCM”). If you have any questions about the contents of this Brochure, please contact us at (317) 636-1000 or email us at [tdost@cscmemail.com](mailto:tdost@cscmemail.com).

CSCM is a Registered Investment Adviser registered with the United States Securities and Exchange Commission. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an Investment Adviser does not imply any specific 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 CSCM and its advisory persons are available on the SEC’s website at <http://Adviserinfo.sec.gov>.

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<http://www.cscapitalmanagement.com>**

On July 28, 2010, the U.S. Securities and Exchange Commission voted unanimously to adopt amendments to Part 2 of Form ADV and related rules under the Investment Advisers Act of 1940 (the "Advisers Act"). The amendments are designed to require a registered investment Adviser to provide Clients with a clearly written and meaningful disclosure, in plain English, about the advisor's business practices, conflicts of interest and advisory personnel. The new Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*.

*Part 2A* of the new Form (the "Firm Brochure") provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. *Part 2B* of the new Form (the "Brochure Supplement") requires an Adviser to provide information about certain advisory personnel.

CSCM believes that communication and transparency are the foundation of our relationship and continually strive to provide you with the complete and accurate information at all times. We encourage all current and prospective Clients to read the Firm Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

## **Item 2 - Material Changes**

### **Summary of Material Changes since Last Update**

Investment advisers must update the information in their Form ADV, Part 2A when a material change has occurred. CSCM is updating its Form ADV, Part 2A, to report the following-

- I. Part 2B - Steve Smith was added as a Client Account Manager effective 9/14/2012.
- II. Item 4e - The amount of assets under management, as of December 31, 2012
- III. Item 10 - Solicitor Arrangements with CS Capital Strategies, LLC has been terminated.

The revised ADV, Part 2A, for CSCM is dated March 31, 2013.

At any time, you may view the current Firm Brochure on-line at the SEC's Investment Adviser Public Disclosure website at <http://adviserinfo.sec.gov>.

To review the firm information for CSCM,

- Click **Investment Adviser Search** in the left navigation menu and enter.
- Select the option for Investment Adviser Firm and enter **106328** (*our firm's CRD number*) in the field labeled "Firm IARD/CRD Number".
- ADV Part 1 will be displayed.
- This will provide access to Form ADV 1 and 2A.
- Item 11 of the ADV Part 1 lists legal and disciplinary questions.
- On the left navigation, Form ADV Part 2A is located near the bottom.

You may also request a copy of the Firm Brochure at any time, by contacting us at (317) 636-1000 or email Tammie Schroder at [tdost@cscmemail.com](mailto:tdost@cscmemail.com).

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## Item 4 – Advisory Services

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### **A. Firm Information**

CS Capital Management, Inc. (“CSCM”) is registered with the United States Securities and Exchange Commission. CSCM is a Corporation formed under the laws of the State of Indiana and was established in 1993. CSCM conducts business in Indiana and other States. CSCM is owned and operated by R. Michael Surenkamp and Roel S. Carandang.

### **B. Advisory Services Offered**

CSCM assesses the Clients goals, objectives, time horizon and risk tolerance to compare where the Client is today in relation to the attainment of their stated goals. CSCM works with the Client to develop a plan the Client is comfortable with in light of their specific circumstances.

Investment Advisory Services – CSCM provides active management of Client investment portfolios. Account Supervision is guided by input from the Client during our initial consultation and as provided by the Client at their discretion. We manage these advisory accounts on a discretionary basis. Account Management is guided by the Client’s stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income) as well as tax considerations.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities
- Certificates of deposit
- Municipal Securities
- Variable life insurance
- Variable Annuities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Other

It is the Client’s responsibility to notify CSCM promptly of any change to the information provided by the Client, including any change to any investment objectives, risk tolerance, investment time horizon, and any investment policies, guidelines or reasonable restrictions. CSCM will honor Client restrictions unless those restrictions impair CSCM’s ability to manage Client assets.

CSCM prides itself on establishing a personal relationship with our Clients. In order to do the best job possible, we are dependent upon Clients providing feedback as to how we are doing. **Should a Client become concerned and/or uncomfortable with anything, it is the Clients responsibility to bring such concerns to our attention.**

CSCM does not believe that there is a high probability of success in “timing the market”. We do not attempt to be “all in” when the markets are going up and “100%” on the sidelines the day before the market drops. Our approach is to match a Clients risk by controlling the level of equity exposure and fixed income exposure to their accounts.

Business Retirement Plans – CSCM will work with business Clients to develop, design and implement a retirement savings plan for its employees. CSCM provides objective financial advice to plan sponsors and senior management regarding issues involving benefit plan options, wealth accumulation strategies for employees and participant education. CSCM will evaluate a sponsor's current plan and recommend changes, if necessary. CSCM may also provide consulting regarding new plans for companies that have not previously offered retirement plan benefits.

Managed Account Programs – CSCM may enter into agreements with various managed account programs sponsored by the Client's designated third-party custodian. Under these agreements, the managed account programs have agreed to provide various types of money management programs and services to the Clients of CSCM. All managed account programs utilized by CSCM will be licensed as investment Advisors by their resident state or with the United States Securities and Exchange Commission.

CSCM will enter into agreements with managed account programs for the provision of client services. CSCM Clients will enter into a direct contract with the managed account program. After gathering information about a Client's financial situation and investment objectives, CSCM may select a managed account program depending on the money management services desired by the Client. The compensation of both CSCM and managed account program is fully disclosed to each Client in the program.

CSCM maintains the authority to hire and terminate the services of each managed account program employed by CSCM.

Each program's fees are established and payable in accordance with the Form ADV Part 2 or other equivalent disclosure document of each managed account program selected by CSCM. Fees for these programs may or may not be negotiable by CSCM. Clients will never pay more than the stated fee amount in the Client Agreement. CSCM will lower its fee to keep overall Client fees as stipulated by the Contract.

CSCM from time to time, will offer services of Jefferson National, Great West (Schwab) etc., when Clients are looking for a fee based no-load variable annuity.

### **C. Client Account Management**

Prior to engaging CSCM to provide investment advisory services, the Client is required to enter into an Investment Advisory Services Agreement with CSCM setting forth the terms and conditions of the engagement, as well as describing the scope of the services to be provided. These services may include, but not limited to:

- Determining Portfolio Asset Allocation or Investment Program
- Selecting Investment Options
- Ongoing Investment Monitoring

Portfolios are rebalanced as necessary upon CSCM reviews or as a result of Client input. More or less frequent rebalancing may be required depending on macroeconomic, market or sector factors.

It is our goal, that, prior to rendering investment management services, CSCM will ascertain, in conjunction with the Client, the Client's financial situation, risk tolerance, and investment objective(s). On occasion, CSCM with the Clients direction will assume management of the Client's account without undergoing the normal discovery process. In these situations, the Client will direct CSCM to utilize a certain model portfolio and relieve CSCM of any responsibility associated with Clients decision to forego a more detailed analysis.

CSCM requires a minimum account size of \$100,000, but may waive this requirement in certain situations.

#### **D. Wrap Fee Programs**

CSCM does not manage any proprietary wrap fee programs.

#### **E. Assets under Management**

As of 12/31/2011, the most recent date for which such calculations are available, CSCM manages the following assets:

Discretionary Assets	\$172,781,558.00
Non-discretionary Assets	\$0.00
<b>Total</b>	<b>\$172,781,558.00</b>

### **Item 5 - Fees and Compensation**

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The following paragraphs detail the fee structure and compensation methodology for investment management services. Each Client shall sign an Investment Advisory Agreement that details the responsibilities of CSCM and the Client.

#### **A. Fees for Advisory Services**

Investment Advisory Services – CSCM's fee for investment advisory services varies based on the amount of assets managed by CSCM. Typically, fees are a fixed percentage of the assets under management. This fee includes all investment recommendations and portfolio implementation, unless the client contract states otherwise. Investment Management clients fees will generally adhere to the following table.

<b><u>Investment Advisory Services</u></b>	
<b>Assets</b>	<b>Annual Fee</b>
\$0 to \$500,000	1.00%
Next \$500,000 - \$1,000,000	0.90%
Next \$1,000,000 - \$1,500,000	0.80%
Next \$1,500,000 - \$2,000,000	0.70%
Next \$2,000,000 - \$2,500,000	0.60%
Next \$2,500,000 - \$3,000,000	0.50%
Next \$3,000,000 - \$3,500,000	0.40%
Over \$3,500,000	0.30%

Qualified Pension Plans including Personal Choice Retirement Accounts (PCRA) are billed at a rate of 1%, based on the total market value of assets under management on the last day of each calendar quarter. Fees are negotiable under certain circumstances.

CSCM at times recommends Private Account Managers/Managed Accounts that will have a different fee schedule. The advisory fee is based on total market value at the beginning of each calendar quarter and is billed in advance. **This program fee is in addition to the CSCM fee schedule.**

All securities held in a portfolio managed by CSCM will be independently valued by the Custodian. **CSCM will not have the authority or responsibility to value portfolio securities.**

Flat Fees – For certain services, CSCM may charge a single fee for an engagement or project. In those cases the fee will be negotiated by the Client and CSCM. Fees will vary depending on the services rendered, the complexity and duration of the engagement and other factors.

## **B. Fee Billing**

Investment Advisory – Fees are a fixed percentage of assets under management, based upon the account value on the last day of the prior month. Fees for investment management services vary depending on the amount of assets to be managed. Clients are billed monthly in arrears for advisory services. For accounts opened during the month fees will be prorated to cover only that period which the account was managed by CSCM.

Legacy Clients – Fees are a fixed percentage of assets under management. These fees are billed quarterly in advance. For accounts opened during the quarter, fees will be prorated to cover only that period which the account was managed by CSCM. In the event the account is terminated for any reason during the calendar quarter, CSCM shall return to Client, within 30 days of the effective date of termination, a pro-rated portion of the quarterly fee paid by Client at the beginning of the quarter.

Pension Plans – Fees are a fixed percentage of assets under management, based upon the account value on the last day of the prior quarter. Fees for investment management services vary depending on the amount of assets to be managed. Clients are billed quarterly in arrears for advisory services. For accounts opened during the quarter fees will be prorated to cover only that period which the account was managed by CSCM.

Management fees will be automatically deducted from the managed account by the Custodian. CSCM shall send a monthly or quarterly invoice, as applicable, to the Custodian indicating the amount of the fees to be deducted from the Client Account. The amount due is calculated by applying the annual rate in the table above to the total assets under management with CSCM at the end of each billing period. Each billing will be for a single billing period. Clients will receive independent statements from the Custodian no less frequently than quarterly. It is the responsibility of the client to verify the accuracy of these fees as listed on the Custodian's brokerage statement as the Custodian does not assume this responsibility.

Clients may also elect to pay their fees directly. In such cases, no invoice will be sent to the custodian of the Client. The invoice will be sent to the Client for payment.

## **C. Other Fees and Expenses**

Clients may incur certain fees or charges imposed by third-parties, other than CSCM, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all custodial and securities execution fees charged by the Custodian and executing broker-dealer. The investment advisory fee charged by CSCM is separate and distinct from these Custodian and execution fees. In addition, all fees paid to CSCM for Investment Advisory Services are separate and distinct from the expenses charged by mutual funds and exchange-traded funds. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client may be able to invest in certain investments, without the services of CSCM, but would not receive access to Advisor and Institutional shares classes.

## **D. Advance Payment of Fees and Termination**

Advance Fees – For advanced fee payment, if the account is terminated for any reason, CSCM shall return to Client, within 30 days of the effective date of termination, a pro-rated portion of the fee paid by Client.

Termination – Clients may request to terminate their Investment Advisory Agreement with CSCM, in whole or in part, by providing advance written notice to CSCM. The Client shall be responsible for investment advisory fees up to and including the effective date of termination. CSCM will refund any unearned, prepaid fees, if any. The Client's Investment Management Agreement with CSCM is non-transferable without Client's written approval.

## **E. Compensation for Sales of Securities**

CSCM does not receive commissions or any compensation for transactions in the Clients account. CSCM is paid only for advice and investment management provided to Clients based on the assets under management in the Client's account(s).

## **Item 6 - Performance-Based Fees**

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Performance-based Fees – CSCM does not charge performance-based fees for its investment advisory services. The fees charged by CSCM are as described in Item 5 – Fees and Compensation above and are not based upon the capital appreciation of the funds or securities held by any Client.

Side-by-side Management – CSCM does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options for its Clients.

## **Item 7 - Types of Clients**

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CSCM may provide services to a variety of client types. Clients may include:

- Individuals, Personal Trusts and Estates – Private investors, investing personal assets
- Pension and Profit Sharing plans
- Corporations
- Charitable organizations

The relative percentage each client type currently represents is available on CSCM's Form ADV Part 1. The actual mix of types of Clients changes over time based upon market conditions, business plans and other factors. CSCM does not specialize in, or actively seek, any given client type. CSCM is committed to providing services to qualified investors, regardless of legal or corporate status.

CSCM provides customized services to meet the unique needs of each Client. Additional details are contained in Item 4 – Advisory Services.

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

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### **A. Methods of Analysis**

Fundamental Analysis – Generally, CSCM uses Fundamental Analysis in making investment decisions with respect to investments in equities, options and fixed-income instruments. Fundamental analysis is the process of looking at economic and business indicators as investment selection criteria. These criteria are usually ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. CSCM considers macroeconomic factors as well as issue specific factors.



Macroeconomic factors considered by CSCM include, but are not limited to:

- General economic conditions
- Inflation trends
- Interest rates and the yield curve
- Market volatility and trends
- Monetary policies
- Legislative actions

Issue specific factors include, but are not limited to:

- Earnings
- Cash flow
- Growth estimates and trends
- Management strength and stability
- Credit rating

Other methods of analysis may be employed by CSCM as deemed appropriate.

CSCM may use various databases of information in order to facilitate the discovery process on each investment manager utilized by CSCM.

## **B. Investment Strategies**

CSCM structures strategically designed portfolios using diversification among a variety of investments. This methodology suggests that investors may benefit from having a portfolio of holdings invested in a variety of asset classes. To the extent that these asset classes are non-correlated, the portfolio will experience investment returns with mitigated risk. CSCM constructs Client investment portfolios based upon the premise that asset allocation models can be developed using historical performance data and academically tested assumptions about the future. This information can be used to optimize the risk-adjusted expected rate of return of a given portfolio. CSCM offers a selection of modeled portfolios which offer a range of equity and fixed income exposure levels.

CSCM utilizes six investment models, numbered P1 through P6. Collectively, these models have been structured such that they cover a variety of risk profiles. Each portfolio covers a different segment of the investment risk tolerance spectrum. Clients are encouraged to ask questions to be sure they understand the theory and underlying assumptions behind portfolio construction. These six models vary in their construction and composition, and are not rigid in their application to each Client.

## **B. Risk of Loss**

General Investment Risks – Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. CSCM will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. **However, there is no guarantee that a Client will meet their investment goals.**

Other Risks - Please remember that different types of investments involve varying degrees of risk, including the possible loss of principal and that past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies undertaken by CSCM will be profitable.

## Item 9 - Disciplinary Information

CSCM is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our Firm and Management personnel have no reportable disciplinary events to disclose.

CSCM and its advisory personnel value the trust you place in us. As we advise all Clients, we encourage you to perform the requisite due diligence on any advisor or service provider in which you partner. Background information is available on the Investment Adviser Public Disclosure website at <http://adviserinfo.sec.gov>.

To review the firm information for CSCM, click **Investment Adviser Search** in the left navigation menu and enter, select the option for Investment Adviser Firm and enter **106328** (*our firm's CRD number*) in the field labeled "Firm IARD/CRD Number". This will provide access to Form ADV Parts 1 and 2. Item 11 of the ADV Part 1 lists legal and disciplinary questions.

## Item 10 - Other Financial Activities and Affiliations

Insurance Agency Affiliation-CSCM is under common control with an insurance agency called CS Financial Group, Inc. Certain employees of CSCM may be sales agents of CS Financial Group, Inc. In this capacity these employees may receive commissions, and other related revenues from the sale of insurance products. Some of these revenues may come in the form of sales incentives, and most cause the employee to have a conflict of interest in recommending CS Financial Group in any capacity.

Through the corporate affiliation, CSCM clients may be referred to or offered insurance and insurance related products available through CS Financial Group, Inc. These services include but may not be limited to insurance trust planning and guaranteed insurance contracts for estates and pension plans.

CSCM advisory clients may be referred to CS Financial Group, Inc. and CS Financial Group, Inc. Clients may be referred to CSCM. For any such referrals, there are no referral fees paid. Also, CSCM advisory clients are under no obligation to accept the recommendations for the purchase of any insurance products or services through CS Financial Group, Inc.

Employee Benefits Consultant - CSCM is affiliated through common ownership with CS Benefits Consulting, Inc. which is a pension consulting firm offering pension administration services. Through the corporate affiliation, CSCM advisory clients interested in pension or benefit consulting services may be referred to CS Benefits Consulting, Inc. These services may include pension design and education services. CSCM qualified plan advisory clients may be referred to CS Benefits Consulting, Inc. and CS Benefits Consulting, Inc. clients may be referred to CSCM. For any such referrals, there are no referrals fees paid. Also CSCM advisory clients are under no obligation to accept the recommendations for any services offered by CS Benefits Consulting, Inc.

Solicitor Arrangements - CSCM receives client referrals from Ken Kehn (Ken). The services include making any introductions and providing information and material about the advisory services and programs of CSCM. CSCM compensates Ken for referring advisory clients to CSCM. Ken provides clients with CSCM's disclosure brochure and a separate disclosure document, which discloses the referral arrangement. In no event will the services include providing investment advisory services on behalf of CSCM in any manner. Advisory fees for these clients are not increased in any way.

Schwab Advisor Network - CSCM receives client referrals from Charles Schwab & Co., Inc. (Schwab) through CSCM participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CSCM. Schwab does not supervise CSCM and has no responsibilities for CSCM's management of Client's portfolio's or CSCM's other advice or services. CSCM pays Schwab fees to receive client referrals through the Service. CSCM's participation in the Service may raise potential conflicts of interest described below.

CSCM generally pays Schwab a Non-Schwab custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was

solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab custody fee is a one-time payment equal to a percentage of assets placed with a custodian other than Schwab. The Non-Schwab custody fee is higher than the Participation fees CSCM generally would pay in a single year. Thus, CSCM will have an incentive to recommend that client accounts be held in custody at Schwab.

The participation and Non-Schwab custody fees will be based on assets in accounts of CSCM clients who were referred by Schwab and those referred clients' family member living in the same household. Thus, CSCM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit CSCM's fees directly from accounts.

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

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### **A. Code of Ethics**

CSCM has implemented a Code of Ethics that defines our fiduciary commitment to each Client. This Code of Ethics applies to all persons associated with CSCM. The Code of Ethics was developed to provide general ethical guidelines and specific instructions regarding our duties to you, our Client. CSCM and its personnel owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of CSCM associates to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that may include; general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures.

CSCM has written its Code of Ethics to meet and exceed regulatory standards. To request a copy of our Code of Ethics, please contact us at (317) 636-1000.

### **B. Personal Trading and Conflicts of Interest**

CSCM allows our employees to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities we recommend (purchase or sell) to you presents a potential conflict of interest that, as fiduciaries, we must disclose to you and mitigate through policies and procedures.

We have also adopted written policies and procedures to detect the misuse of material, non-public information. We may have an interest or position in certain securities, which may also be recommended to you.

**At no time, will CSCM or any associated person of CSCM, transact in any security to the detriment of any Client.**

CSCM is a Fee-Only advisor, who, in all circumstances, is compensated solely by the Client, with neither the advisor nor any related party receiving compensation that is contingent on the purchase or sale of any financial product. CSCM does not engage in any transactions where it has a financial interest, including, but not limited to commissionable securities transactions, buying securities from or selling securities to its Clients.

## Item 12 - Brokerage Practices

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### **A. Recommendation of Custodian[s]**

CSCM does not have discretionary authority to select the broker-dealer/custodian for custodial and execution services. The Client will select the broker-dealer or custodian (herein the "Custodian") to safeguard Client assets and authorize CSCM to direct trades to this Custodian as agreed in the Investment Advisory Agreement. Further, CSCM does not have the discretionary authority to negotiate commissions on behalf of our Clients on a trade-by-trade basis.

Where CSCM does not exercise discretion over the selection of the Custodian, it may recommend the custodian[s] to Clients for execution and/or custodial services. Clients are not obligated to use the recommended Custodian and will not incur any extra fee or cost associated with using a broker not recommended by CSCM. CSCM may recommend a Custodian based on criteria such as, but not limited to, reasonableness of commissions charged to the Client, services made available to the Client, and location of the Custodian's offices. CSCM does not receive research services, other products, or compensation as a result of recommending a particular broker that may result in the Client paying higher commissions than those obtainable through other brokers.

CSCM may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. CSCM is independently owned and operated and not affiliated with Schwab.

Schwab provides CSCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our Client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit CSCM but may not directly benefit our Clients' accounts. Many of these products and services may be used to service all or some substantial number of our Client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to CSCM. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that Clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

1. **Soft Dollars** – Soft dollars are revenue programs offered by broker-dealers whereby an advisor enters Into an agreement to place security trades with the broker in exchange for research and other Services. CSCM does not participate in soft dollar programs sponsored or offered by any broker-dealer.
2. **Brokerage Referrals** – CSCM does not receive any compensation from Schwab or any other entity in Connection with the recommendation for establishing a brokerage account.

## **B. Aggregating and Allocating Trades**

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. CSCM will execute its transactions through an unaffiliated broker-dealer selected by the Client. CSCM may aggregate orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple (discretionary) accounts. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts.

Trade Errors - From time to time CSCM may make an error in submitting a trade order on your behalf. When this occurs, CSCM may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other Client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If the loss occurs greater than \$100, CSCM will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## Item 13 - Review of Accounts

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### **A. Frequency of Reviews**

Investment Advisory Clients - Accounts are monitored on an ongoing basis by CSCM for adherence to investment strategy and Client Objective. Investment management and supervision over the securities contained in the Client's portfolio are performed in an ongoing basis by CSCM, as applicable.

### **B. Causes for Reviews**

In addition to the investment monitoring noted in Item 13.A, each Client account shall be reviewed at least on an annual basis. Reviews may be conducted more or less frequently at the Client's request. Accounts may be reviewed as a result of major changes in economic conditions, known changes in the Client's financial situation, and/or large deposits or withdrawals in the Client's account. The Client is encouraged to notify CSCM if changes occur in his/her personal financial situation that might adversely affect his/her investment plan.

Additional reviews may be triggered by material market, economic or political events.

### **C. Review Reports**

Investment Portfolio Reports - The Client will receive brokerage statements no less than quarterly from the Trustee or Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s].

In addition to the monthly/quarterly statements and confirmations of transactions that Clients receive from their broker-dealer, we provide Quarterly reports summarizing account performance, balances and holdings. If the account is held outside our portfolio management system, quarterly reports can not be provided by CSCM.

## Item 14 - Client Referrals and Other Compensation

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### **A. Compensation Received by CSCM**

CSCM is a Fee-Only advisor, who, in all circumstances, is **compensated solely by the Client**. CSCM does not receive commissions or other compensation from product sponsors, broker dealers or any un-related third party. CSCM may refer Clients to various third-parties to provide certain financial services necessary to meet the goals of its Clients. Likewise, CSCM may receive referrals of new Clients from a third-party.

### **B. Client Referrals from Solicitors**

Schwab Advisor Network - CSCM receives client referrals from Charles Schwab & Co., Inc. (Schwab) through CSCM participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CSCM. Services are as described in Item 10. Other Financial Activities and Affiliations.

Ken Kehn - CSCM receives client referrals from Ken Kehn. The services include making any introductions and providing information and material about the services and programs of CSCM. Services are as described in Item 10. Other Financial Activities and Affiliations.



## **Item 15 - Custody**

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CSCM does not accept or maintain custody of any Client accounts. All Clients must place their assets in a qualified custodian. Clients are required to select their own custodian to retain their funds and securities and direct CSCM to utilize that custodian for the Client's security transactions. For more information custodians and brokerage practices, see Item 12 - Brokerage Practices.

While CSCM does not have custody of Client funds or securities, payments of fees may be paid by the custodian from the custodial brokerage account that holds Client assets. In certain jurisdictions this may be deemed constructive custody. Prior to permitting direct debit of fees each Client provides written authorization permitting fees be made direct from the custodian. CSCM will send the Client and the custodian a bill showing the amount of the fee and the way in which it was calculated. The custodian sends every Client an account statement not less than quarterly showing all account activity, including the amounts disbursed from the account to CSCM.

## **Item 16 - Investment Discretion**

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**Discretionary Portfolio Management** – CSCM generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by CSCM. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an Investment Management Agreement containing all applicable limitations to such authority. All discretionary trades made by CSCM will be in accordance with each Client's investment objectives and goals.

## **Item 17 - Voting Client Securities**

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CSCM does not accept proxy voting responsibility for any Client. Therefore, although CSCM may provide investment advisory services relative to Client investment assets, CSCM Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. CSCM and/or the Client shall correspondingly instruct the Custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

CSCM may provide Clients with consulting assistance regarding proxy issues if they contact us with questions.

## **Item 18 - Financial Information**

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Neither CSCM, nor its management has any adverse financial situations that would reasonably impair the ability of CSCM to meet all obligations to its Clients. Neither CSCM, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. CSCM is not required to deliver a balance sheet along with this brochure as the firm does not collect advance fees for services to be performed six months or more in advance. Please see Item 5 - Fees and Compensation for additional information.