

## Part 2A of Form ADV: Firm Brochure

### Item 1 Cover Page

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January 1, 2020

**This brochure provides information about the qualifications and business practices of Capital Resource Management, Inc. ("CRM" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (847) 948-1700. 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 CRM also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

CRM is a registered investment advisor. Registration does not imply a certain level of skill or training.

### Item 2 Material Changes

There are no material changes to the Firm's brochure, since the brochure's last annual update of March 15, 2019.

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#### Item 4 Advisory Business

CRM, formed in 1991, provides portfolio management services as described below. The Firm is wholly owned by Sherwin Korey.

All clients' assets are invested with third party money managers ("managers") independent from CRM. The managers are solely responsible for day-to-day investment decisions regarding those client assets entrusted in them.

CRM refer certain clients or other persons ("referred clients") to managers. Managers advise referred clients and will be compensated by referred clients through an asset-based fee and/or a performance-based fee.

Managers act as an adviser or sub-adviser to certain mutual funds in which referred clients' assets may be invested.

CRM provides portfolio management services including consultation on each client's situation.

CRM's services include developing an appropriate investment asset allocation, selecting the appropriate managers to implement the agreed-upon allocation, monitoring the managers' performances, and reporting the results quarterly by providing performance evaluation reports. Client communication usually includes reports prepared by CRM, as described.

CRM has no discretionary authority over any client assets. Each client's risk profile, time frame, liquidity needs and desired objectives are considered before any investment decisions are implemented. Developing an appropriate asset allocation is a function of establishing realistic expected investment returns, understanding risk and correlation. Recommendations for investments and managers are derived, where appropriate, from independent parties unaffiliated with CRM, so as to maintain independence and eliminate activities that conflict with the best interests of each client.

The client authorizes implementation of the agreed upon asset allocation. Client multi-asset portfolios are reviewed for rebalancing at least monthly. To encourage client contact, CRM attempts to have meetings, at least semi-annually, to discuss historical performance, future strategy and on-going research. CRM encourages each client to maintain continuous contact and therefore sees many clients more often than semi-annually. Consequently, CRM supervises the ongoing management of client assets.

Each client's strategy is unique. Should a manager/investment fail to achieve the predetermined performance expectation/risk mandates, or their philosophy, process or key investment personnel change, CRM will contact the client to discuss appropriate

options. CRM will, subject to client approval, reallocate client assets to an appropriate manager/investment.

Clients commence their relationship with CRM by executing an agreement (“Consulting Agreement”) and/or accepting an engagement letter. The Consulting Agreement may be terminated by the client or CRM in accordance with its provisions. A client may terminate consulting services, subject to payment for the cost of services rendered at the time of termination.

Clients may impose restrictions on investing in certain securities or types of securities.

As of December 31, 2019, the Firm managed \$453,623,824 of client assets on a non-discretionary basis.

#### Item 5 Fees and Compensation

CRM provides investment advisory services based on a percentage of assets under management. Fees charged to clients are based on the size and type of account, as follows:

<u>ACCOUNT SIZE</u>	<u>STYLE</u>	<u>FEES</u>
\$5.0 million to \$10.0 million	Equity	Maximum 50 basis points
Greater than \$10.0 million	Equity	Maximum 30 basis points
\$5.0 million to \$10.0 million	Fixed Income	Maximum 35 basis points
Greater than \$10.0 million	Fixed Income	Maximum 25 basis points
\$5.0 million to \$10.0 million	Balanced – Equity/Fixed Income	Maximum 50 basis points
Greater than \$10.0 million	Balanced – Equity/Fixed Income	Maximum 30 basis points

Fees are negotiable, based on type of account and services provided, whether asset-based or retainer arrangement.

CRM prefers to accept accounts with at least \$5.0 million of investable assets. (See Item 7). However, an exception for accounts less than this minimum may be allowed, in which case CRM’s fee structure is at least generally 50 basis points.

Asset-based fees are calculated based on the fair market value of assets under management at month end, averaged based on each month end in the quarter, and are distributed quarterly in arrears by the custodian, to CRM. Retainer fees are billed quarterly in arrears.

CRM bills its clients an advisory fee based on the value of assets (including mutual funds) in their investment portfolio. For portfolios invested only in mutual funds ("mutual fund-only clients"), CRM's advisory fees generally will not be charged against client assets allocated to cash or cash equivalent investments. However, assets allocated to a manager, and then re-allocated by the manager to cash or cash equivalent investments, generally will remain subject to CRM's advisory fee.

In some instances, a manager causes client assets to be invested in a mutual fund. Through CRM's asset allocation and performance evaluation services, CRM attempts to ensure that client assets are invested in "no-load" mutual funds. Neither CRM nor Sherwin Korey receive any 12b-1 fees or commission income in connection with such mutual fund investments. However, mutual fund investments may include funds sponsored by or affiliated with State Street Global Advisors, an affiliate of State Street Bank and Trust Company ("SSBT"), which acts as custodian for most CRM clients (See Item 15). CRM relationships with SSBT are further described in Item 15.

Mutual funds also pay management fees to their investment advisers, which reduces the net asset value of the funds' shares. Because of the layering of fees, clients may pay more in fees by allocating assets to mutual funds through CRM, as compared to investing directly with such funds. Clients also may pay more or less in fees where client assets are invested in a separate account managed by a manager, compared to a mutual fund to which such manager is an adviser or sub-adviser.

Because CRM receives an advisory fee (described below) and because managers receive separate fees, there is a layering of fees affecting any net return realized by clients. Because of the layering of fees, clients may pay more in fees by allocating assets to a manager through CRM, as compared to investing directly with such manager.

The above fees do not include brokerage commissions and fees from the purchase/sale of securities, and fees of money managers, custodians and other third party providers. Item 12 and Item 15 below discuss brokerage, and custody, respectively.

Securities in clients' accounts generally will be valued by the custodian, broker-dealer or mutual fund holding such assets. Any other security or asset will be valued in a manner determined in good faith by CRM to reflect its fair market value. Securities not otherwise valued and for which there is no readily available market will generally be valued at cost, unless CRM has obtained reliable information regarding recent transactions in such securities or other reliable data affecting valuation.

CRM does not receive brokerage commissions. In addition, some client transactions may be executed through SSGM, a SSBT-affiliated broker/dealer, for which neither Mr. Korey nor CRM receive any compensation. In the event that a client determines to effect securities transactions through SSGM, SSGM will charge commissions and fees, subject to a minimum charge as determined by SSGM. Such commissions and fees may be greater than clients may obtain elsewhere for the same services. CRM shall not negotiate any such commissions and fees with SSGM, and CRM shall be under no obligation to undertake such negotiations. For further information regarding brokerage practices, see Item 12 below.

CRM's Advisory fees are not reduced to offset any brokerage commissions charged by any brokerage firms.

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

CRM does not accept performance-based fees.

#### Item 7 Types of Clients

The Firm provides investment advice to individuals, qualified retirement plans, corporations, partnerships, not-for-profit entities, trusts and estates. CRM prefers to accept accounts with at least \$5 million of investable assets. An exception to this minimum account size may be allowed, as described further in Item 5.

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

The Firm's methods of analysis and investment strategy used for formulating investment advice and managing assets are detailed below.

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

CRM's primary objective is to address investment objectives of each client while monitoring and controlling risk.

Since CRM does not select individual securities nor prepare recommendations regarding various industries, the investment advice provided is more education-oriented. Typical discussions concentrate on asset allocation, historic and expected arithmetic and geometric returns and correlations between asset classes and appropriate measures of risk and risk-return relationships.

CRM's investment analysis includes performance evaluation of institutional money managers' track record and of clients' accounts. CRM is not employed as a money manager or responsible for individual security selection.

CRM recommends that clients view allocations and managers' performance on a long-term basis.

Investing in stocks necessarily entails risk, including market fluctuations. Investment risk may arise from the performance of an individual stock, as well as from the performance of the overall stock market. An investment's actual return may be different than expected, and past performance is not indicative of future results. Risk includes the possibility of losing some or all of the investment.

Investing in fixed income securities, including commercial paper, necessarily entails risk, including market fluctuations, interest rate risk, credit risk, liquidity risk, prepayment and early redemption risks, and issuer events. Investment risk may arise from the performance of an individual bond, as well as from the performance of the overall financial markets. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. An investment's actual return may be different than expected, and past performance is not indicative of future results. Risk includes the possibility of losing some or all of the original investment.

Investing in alternative investments, such as hedge funds, private equity or similar investment opportunities, entails various risks, including the use of leverage and other speculative practices that may increase the risk of loss. Alternative investments are illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures, and are not subject to the same regulatory requirements as mutual funds. Alternative investments often bear high fees, and their

underlying investments often are not transparent and are known only to their investment managers.

Investing in securities issued by foreign issuers involves risks different from domestic investments such as currency rate fluctuations and differences in financial reporting. An investor may experience losses due to the political, economic and social structures of other countries. There also are risks in foreign investments due to political unrest, foreign ownership limitations and tax increases in the foreign country involved, all of which are difficult to predict. Related brokerage commissions and other fees may be higher in foreign securities. Government supervision and regulation of foreign stock exchanges, currency markets, trading systems and brokers may be less than those in the United States.

#### Item 9 Disciplinary Information

None.

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

As described above, CRM's principal services consist of consulting with clients as to their situation and asset allocation, and evaluating existing and prospective managers and portfolio performance. Certain CRM clients are referred to State Street Global Markets (SSGM), an affiliate of SSBT for the purpose of opening securities accounts. Mr. Korey does not receive any compensation for referring clients to SSGM. CRM anticipates that the majority of clients will effect securities transactions through third parties other than SSGM.



Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CRM has adopted a written Code of Ethics ("Code") including standards of business conduct required of the Firm's supervised persons. The Code contains general standards and prohibitions consistent with the Firm's fiduciary duties and regulatory responsibilities. The Code is designed to reinforce fiduciary principles, including the goal of placing the Firm's clients' interests first. In this connection, the Code requires that supervised persons' personal securities transactions must avoid any actual or potential conflict of interest, or any abuse of a supervised person's position of trust and responsibility. Additional Code principles include not taking advantage of clients' positions, observing appropriate levels of confidentiality with respect to clients' holdings and financial circumstances, and maintaining independence in making investment decisions affecting clients.

The Firm will furnish a copy of the Code to a client or prospective client upon request, whether written or oral.

The Code requires that the Firm's "Access Persons" personal securities transactions be conducted through brokerage accounts identified to the Firm's Chief Compliance Officer ("CCO"). "Access Persons" are those supervised persons who have access to confidential information concerning clients' securities activities, or who are involved in, or have access to, the Firm's securities recommendations. Access Persons are required to report personal securities holdings to the CCO on a periodic basis, and execute an annual certification they have disclosed all of their accounts and reportable transactions to the Firm.

Supervised persons are required to report any Code violations to the CCO. The Firm provides each supervised person with a copy of the Code and any amendments, and supervised persons acknowledge their receipt in writing.

With the CCO's approval, Access Persons may acquire securities in an initial public offering, or in a "limited offering", an offering exempt from registration and commonly known as a private offering.

Managers, independent of CRM, choose the individual securities for clients' portfolios. Managers are prohibited from executing any transactions with any individuals affiliated with CRM (other than the SST/SSGM as described in Item 10).

Since CRM recommends asset allocation based on each client's particular investment profile, a client's assets may be invested with a manager whose strategy is the same as, or different from, another manager who may be managing client assets. Client assets may be aggregated where, in CRM's discretion, the amount of assets allocated to a manager may result in more favorable fee treatment for the invested assets. In such

instances, however, there is no assurance that all clients will benefit from favorable fee treatment to the same extent. In recommending managers or investments CRM takes into account the level of fees charged by a particular manager or investment.

Although CRM will attempt to notify clients in the event of a material change affecting a manager or investment, there is no assurance that all clients will receive such notice at the same time or in the same manner.

## Item 12 Brokerage Practices

CRM does not receive any products or services through any "soft dollar" arrangements. The reasonableness of brokerage commissions is evaluated on an on-going basis through annual review of the general level of commissions paid in comparison with industry data. Brokerage commissions incurred by clients may be greater than commissions charged elsewhere, although CRM believes that the commission rates for transactions effected through State Street Global Markets (SSGM) are reasonable, in light of the execution services received by CRM's clients.

CRM utilizes the Wilshire Compass ("Compass") software provided by Wilshire Associates ("Wilshire"). State Street Bank and Trust (SSBT) serves as custodian for most CRM clients. While CRM believes that Compass may be used in decision making for all clients, there is no assurance that this service can and will be utilized in connection with any particular client, including clients whose assets are custodied with SSBT.

CRM receives the Compass investment technology product through a service agreement. Wilshire provides consulting services and investment management analysis for various client types and for managers and custodians of trust portfolios.

Compass is a PC-based executive information and consulting tool which guides the user through a disciplined investment process. Compass combines comprehensive databases with sophisticated investment technology developed at Wilshire Associates to develop investment strategies and monitor the investment portfolio.

Compass provides access to a series of proprietary computer programs, which assist in developing investment strategies. Compass consists of five parts: (1) Asset Allocation Analytics, (2) Domestic Equity Analytics, (3) International and Emerging Markets Equity Analytics, (4) Domestic Fixed Income Analytics and (5) International Fixed Income Analytics.

Neither the Firm nor any of its related persons received any products or services acquired with client brokerage commissions in the last fiscal year.

Neither the Firm nor any related persons receives client referrals from any broker dealer or third party, which the Firm has selected or recommended for execution of client transactions.

#### Item 13    Review of Accounts

Firm President and Portfolio Manager Sherwin Korey reviews all accounts at least monthly. Mr. Korey reviews accounts more frequently for cash positions and market exposure.

CRM provides written quarterly performance reports to clients. CRM will provide reports more often when needed. In addition, clients receive monthly account statements directly from custodians such as SSBT, custodian for most client assets, as described in Item 15.

CRM's performance reports can be prepared in the format of bar charts (histograms or floating bar) or scattergrams that utilize various statistical measures of risk-return and historical performance of money managers relative to their peers. Performance data is obtained from independent third parties using time weighted calculations geometrically linking monthly returns.

#### Item 14    Client Referrals and Other Compensation

None.

## Item 15 Custody

State Street Bank and Trust Company (SSBT) acts as custodian for most CRM clients. Custodian fees paid by clients to SSBT may be greater than fees for such services charged elsewhere, although CRM believes that such fees are reasonable and generally less expensive than fees for comparable services charged by other custodians. Clients should also consider that, through certain services offered by other broker/dealers, customers may receive brokerage execution, custodial and other services at a rate which may be less than the costs associated with custody through SSBT and brokerage through third parties.

As described in Item 12, CRM utilizes Compass.

Clients receive monthly account statements directly from SSBT, the custodian for client assets. Clients should carefully review these statements.

As described in Item 13, CRM provides written quarterly performance reports to clients. Clients are urged to compare the account statements received from SSBT with the reports furnished by CRM.

## Item 16 Investment Discretion

The Firm does not accept discretionary authority to manage accounts on behalf of clients.

## Item 17 Voting Client Securities

With respect to those client assets managed by third party managers, proxy voting duties will be the responsibility of the managers. With respect to those client assets invested by CRM in investment company securities, CRM will vote proxies for such securities, except for those clients who affirmatively retain the authority to vote such proxies. CRM will monitor proxy voting requests in light of CRM's fiduciary duty to its clients. In this respect, CRM will vote proxies considering whether the proposal will enhance shareholder value. A client may obtain information from CRM with respect to how CRM voted proxies for such client's securities, by making request of CRM in writing, by telephone or by e-mail. A copy of CRM's policies and procedures with respect to proxy voting is available to clients upon similar request.

Item 18 Financial Information

The Firm does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, nor does the Firm have discretionary authority.

Item 19 Requirements for State-Registered Advisers

Not applicable.

## **Part 2B of Form ADV: Brochure Supplement**

### **Item 1 Cover Page**

Sherwin Korey

(847) 948-1700

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January 1, 2020

**This brochure supplement provides information about Sherwin Korey that supplements the Capital Resource Management, Inc. brochure. You should have received a copy of that brochure. Please contact Sherwin Korey if you did not receive CRM's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Sherwin Korey is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

### **Item 2 Educational Background and Business Experience**

Sherwin Korey, born 1957, University of Illinois (Bachelor of Science Accountancy, 1979); University of Wisconsin, Loyola University (Master of Business Administration, Finance, 1981).

Mr. Korey is a Certified Financial Planner ("CFP"), and a Certified Public Accountant ("CPA") admitted in Illinois. The Certified Financial Planner Board of Standards, Inc. grants the CFP designation to benefit the public, and upholds it as a standard for personal financial planning.

Mr. Korey has been associated with CRM since 1991.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

None

Item 5 Additional Compensation

None.

Item 6 Supervision

Sherwin Korey is the Firm's President and sole portfolio manager. His telephone number is (847) 948-1700.

Item 7 Requirements for State-Registered Advisers

Not applicable.