



Item 1 – Cover Page

Capstone Wealth Management Corp.

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April 2021

This Brochure provides information about our qualifications and the business practices of Capstone Wealth Management Corp. If you (“client”, “your”) have any questions about the contents of this brochure, please contact us at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. CWM’s IARD firm number is 165359.

We are a state registered investment adviser. Our registration as an investment adviser does not imply any level of skill or training. Additional information about CWM is also available on the SEC’s website at www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). The results will provide you with both Parts 1 and 2 of our Form ADV.

Item 2 – Material Changes

The material change to our Form ADV Part 2 (“Disclosure Brochure”) since our last annual filing dated March 2020 is that we are transitioning our registration from a state-registered investment adviser to an SEC-registered investment adviser. Various updates have been made throughout this Disclosure Brochure. In addition, we have removed disclosures in Item 9 that are over 10 years old and have also updated Item 15 as it relates to standing letters of authorizations.

In future filings, this section of the Disclosure Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this Disclosure Brochure on the SEC’s public disclosure website (IAPD) at www.adviserinfo.sec.gov.

We may, at any time, update this Disclosure Brochure and send a copy to you with a summary of material changes, or a summary of material changes that includes an offer to send you a copy [either by electronic means (email) or in hard copy form].

If you would like an electronic copy of this Disclosure Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer (“CCO”), Allen R. Montgomery at the telephone number listed on the cover page or via email at allen@careformywealth.com for a paper copy.

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Item 4 – Advisory Business

Capstone Wealth Management Corp. (“CWM”, “us”, “we”, “our”) is a corporation organized under the laws of the State of Florida on August 8, 2012 and owned by Allen R. Montgomery. We are registered as an investment adviser since 2012. Currently, we are applying for registration with the U.S. Securities and Exchange Commission (“SEC”) and notice file with the appropriate state regulatory authorities. As of April 22, 2021, the firm had \$143,807,465 in assets under management which were managed on a discretionary basis and \$4,789,103 were managed on a non-discretionary basis.

This Disclosure Brochure provides you with information regarding our qualifications, business practices, and the nature of advisory services that should be considered before becoming our advisory client. Please contact Allen R. Montgomery, CCO, if you have any questions about this Brochure.

Individuals associated with us who are qualified will provide investment advisory services on our behalf. Such individuals are known as Investment Advisor Representatives (“IARs”). We require IARs engaged in determining or offering investment advice to clients to have, at a minimum, three years investment securities business experience, or a college degree related to investment management. These IARs must also be properly licensed and registered in the states, unless exempted, in which they provide investment advisory services.

We offer investment advisory services to individuals, including high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations.

Below is a description of the investment advisory services we offer. For more detail on any product or service please reference your advisory agreement or contact your CWM Investment Advisory Representative (“IAR”).

DESCRIPTION OF SERVICES PROVIDED

We provide continuous personal consultation and interaction when providing discretionary or non-discretionary investment advisory services. We will work with you to identify your investment goals, objectives, and risk tolerance in order to create a portfolio allocation designed to reach those goals and objectives and to ensure that the goals and objectives selected by the client are suitable, given the established client guidelines and information. We typically create a portfolio consisting of individual stocks or bonds, mutual funds, and variable annuity and life products including ETFs, municipal and government securities, real estate, and oil and gas. It is our policy not to

recommend investments in limited partnerships, but we may recommend investments in master limited partnerships.

Investment strategies vary based on your investment objectives and risk tolerance and may include long term buy and hold or short-term trading or margin transactions. Short term trading, and margin transactions generally hold a greater risk and clients should be aware that the risk of loss may be greater in using any of these strategies. The use of margin transactions could create a conflict of interest where we may have an incentive in using margin to create a higher market value and therefore receive a higher fee. The use of margin will result in interest charges and heightened risk in addition to all other fees and expenses associated with the security involved. Nevertheless, each portfolio will be designed to meet your particular investment goals, objectives, circumstances, and risk tolerance. You will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Portfolio Management Services

Our IARs provide continuous and regular investment advisory services on a discretionary or non-discretionary basis to you in connection with establishing and monitoring your investment objectives, risk tolerance, asset allocation goals and time horizon. In addition, our IARs may provide information and research about investment products and strategies, and review portfolio performance reports. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio. For these reasons, performance of the portfolio may not be identical with our average client or other client portfolios.

If we manage your account on a discretionary basis, such discretion must be granted in writing. CWM manages your account and makes investment decisions without consultation with you that would involve determinations regarding which securities are bought and sold, the total amount of securities to be bought or sold, the price per share, and the commission rates at which securities transactions are effected. Our discretionary authority in making these determinations will be limited by conditions imposed by you in your investment guidelines, objective, or instructions otherwise provided to us.

If we manage your account on a non-discretionary basis, we customarily make periodic investment recommendations to you involving which securities are to be bought or sold and the total amount of such purchases or sales. You have the option to accept or reject our recommendations. If you accept the recommendation, you also have the option to implement the transactions with a broker-dealer of your choosing or to have CWM effect the transactions.

Unless otherwise determined by the client, all accounts will be held at TD Ameritrade and Trust Company of America.

Sub-Adviser Management Services

CWM also offers, on a discretionary basis, sub-adviser management services to clients of other registered investment advisers. From time-to-time, CWM may enter into a sub-advisory agreement with registered investment advisers to provide investment management services to the clients it accepts from those firms. Through this arrangement, CWM will assist and advise the client in establishing investment objectives and develop an investment strategy to meet those objectives by appropriately identifying investments and monitoring such investments.

In return for its sub-advisory services, CWM is paid an annual asset-based fee by the registered investment advisers it has entered into an investment advisory agreement with. Clients may obtain a copy of the agreement between CWM and their registered investment advisers by contacting their IAR.

Clients receiving CWM's services have regular contact with their IAR who assists in periodically reviewing and evaluating the progress being made by CWM.

Financial Planning Services

In addition, to the Portfolio Management Services, and for a separate fee, CWM makes available a variety of financial planning services. The scope of the services and the fees for these services is pursuant to a written financial planning agreement that is distinct from the Portfolio Management Agreement. Generally, such financial planning services will involve preparing a written financial plan or rendering a financial consultation for clients based on their current situation, financial goals, and objectives. This planning or consulting may encompass one or more of the following areas:

1. Accumulation - an analysis based on the estimated rate of return on investments and the estimated long-term inflation rate of the lump-sum and/or periodic dollar commitment necessary to meet stated financial goals.
2. Financial Independence (Retirement) - an analysis of the lump-sum and/or periodic dollar commitment necessary to meet stated financial goals during retirement taking into consideration the client's assets and liabilities, projected social security, pension or other retirement benefits and desired level of income at retirement.
3. Investments - an analysis of appropriate investments, and appropriate adjustments to existing investments, based upon the client's description of

his/her primary investment concerns, needs, goals and objectives. This analysis does not include ongoing management or monitoring of investments or portfolios.

4. Risk Management - an analysis of the client's insurance needs and coverages, taking into account the client's accumulation goals, assets and liabilities, sources of income, and income needs for the client's beneficiary upon death or disability.
5. Estate Planning - an analysis of estate settlement costs, which include taxation and administrative costs and an evaluation of estate reduction and tax payment techniques. It involves discussion of gifts, trusts, and estate planning documents. Analyses are subject to verification by the client's own estate planning expert.
6. Income Taxes - an analysis of the client's tax situation that is based on a general understanding of current tax laws. Analyses are subject to verification by the client's own tax expert.
7. Miscellaneous Advisory Services - hourly fees may be charged for an annual review of a financial plan or for specific advice regarding implementation of the planning topic(s) selected above, investment techniques and investments in specific securities, insurance products, and other investment vehicles or specific advice.

The plan or separate financial consultation will usually include general recommendations for a course of activity or specific actions to be taken by the client. Plans or consultations are typically completed within six (6) months of contract date, assuming all information and documents requested are provided promptly.

CWM's financial planning services involve an assessment of the client's financial situation, including an analysis of financial planning needs and current investment portfolio(s). The information provided by the client is examined in relation to long and short-term investment objectives, specific client needs as perceived by CWM, market conditions and general economic conditions. The advice includes specific recommendations regarding long- and short-term financial planning and recommendations regarding the retention or disposition of the client's securities and other investments. This service also includes at least one written report and one or more meetings to discuss the status of your financial situation and CWM's specific recommendations.

Prior to engaging CWM to provide financial planning or consulting services, clients will be required to enter into a Financial Planning Agreement that sets forth the terms and conditions of the engagement, describing the scope of the services to be provided and the fees due to CWM upon completion of the services. If requested, CWM may recommend the services of other professionals for implementation purposes. Clients will

provide these professionals the necessary information to perform the required services. We will not be compensated for referring clients to these professionals. Clients are under no obligation to engage the services of any such recommended professional. Clients retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendations.

Advisory recommendations are based on your financial situation at the time the services are provided and are based on financial information disclosed by you. You are advised that certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. You are advised that you have the responsibility to promptly notify CWM if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Wrap fee programs

CWM does not participate in wrap fee programs.

Item 5 – Fees and Compensation

General Account Characteristics

Described below are general characteristics regarding “other” fees incurred, payment of fees, and termination of contracts that will affect your account(s). All fees and compensation will be fully described in the investment advisory agreement entered into prior to commencement of services.

Fee Schedule

Investment Supervisory Services

The annual fee charged for all advisory services will be a percentage of assets under management. At the discretion of CWM, fees may be negotiable. Therefore, clients with similar assets under management and investment objectives may pay significantly higher or lower fees than other clients. Lower fees for comparable services may also be available from other sources. The fees will be as follow:

Market Value of Assets	Annual Fee
First \$250,000	2.25%
Next \$250,000	2.00%
Next \$500,000	1.75%
Next \$1,000,000	1.25%
Over \$2,000,000	1.00%

Performance-based fees

Under the investment advisory agreement, CWM will receive a quarterly advisory fee based on the performance of a client account (the “Performance Fee”). The Performance Fee is a quarterly fee equal to up to 20% of realized and unrealized gains in a client’s portfolio subject to certain restrictions and limitation described in the next section.

Sub-Adviser Management Services

In a sub-advisory arrangement, CWM receives 0.55% annually which is not negotiable. The contract between CWM and a client's registered investment adviser(s) may be terminated at any time. The IAR will be responsible for providing to the clients of those advisers their Form ADV Part 2.

Other Fees

Generally, fees for investment supervisory accounts are based on a percentage of the market value of assets under management including cash. Our fees do not include brokerage commissions, transaction fees, and other brokerage related costs and expenses that are paid by you. You may pay additional fees imposed by custodians, brokers, and other third parties. The advisory fee does not cover charges imposed by third parties for investments held in the account, such as contingent deferred sales charges or 12b-1 trails on mutual funds. In addition, each mutual fund charges asset management fees, which are in addition to the advisory fees charged by us. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. The advisory fee structure described above does not cover debit balances or related margin interest or SEC fees or other fees or taxes required by law. You should consult the fund's prospectus for a complete description of all fees and expenses. You can invest directly in ETFs and indexed mutual funds without the services of CWM. In that case, you would not receive CWM's asset allocation and tactical reallocation services which is only available in discretionary arrangement. To fully understand the total costs you will incur, you should review the fees charged by ETFs, mutual funds, including money market funds, our firm and others.

Advisory Account Fee Structure

The fee arrangement will be memorialized in your investment advisory agreement. Fees may be negotiable. CWM and its clients generally will agree to (i) a fixed base rate or tiered rate schedule and/or (ii) a performance-based fee. Because fees may be negotiable, some clients will enter into advisory contracts with terms or fee arrangements differing from those described above. CWM may negotiate fees (including performance-based fees) that differ from those described above. Fees may be waived in whole or in part, for varying periods of time, at the sole discretion of CWM in connection with promotional efforts or for any other reason. Fees may vary based on the investment objective of the account, account type, size and other factors.

Payment of Fees

Portfolio management fees that are based on assets under management are paid monthly in advance. Fees are calculated based on the balance as of the last day of the previous reporting period, or the beginning deposits for a new account. However, portfolio management fees that are based on performance are paid quarterly in arrears.

Fees may be deducted from the client's account or billed separately to the client. Client must opt out of direct debiting by executing the appropriate paperwork.

1. Direct debiting (preferred): At the inception of the relationship and each billing period thereafter, the Investment Advisor will calculate the amount of the fee due

and payable to CWM. The Investment Advisor bases its calculation on the account assets as described above and the executed account application on which the fee is stated. The Investment Advisor will “deduct” the fee from the applicable account(s).

Each month (or quarterly for accounts with no activity), you will receive a statement directly from the custodian showing all transactions, positions and credits/debits into or from your account; the statements after the applicable billing cycle end will reflect these transactions, including the advisory fee paid by you to us.

2. Pay-by-check: At the inception of the account and each billing period thereafter, we issue an invoice for our services and payment is required, by check or wire transfer, within 30 days of the date of the invoice.

All fees collected in arrears are collected during the quarter in which it occurred sometime during that quarter.

Financial Planning Services

Fees are dependent upon the scope of work performed. A fixed fee quoted for a plan based on the anticipated work may range from \$1,000 to \$5,000. Fees may be negotiable and will be specified in the agreement. Fees are paid upon delivery of the plan or other deliverable as defined in the agreement.

Termination of Contracts

The advisory agreement may be terminated by either party. Notification must be received in writing no less than 30 days prior to the date of termination. Fees paid in advance will be prorated to the date of termination, and any unearned portion of the fee will be refunded to the client. Any refunds due to the client shall be made as soon as possible from receipt of notice of termination, but no more than 60 days.

Detailed information on the termination terms and fees can be found in the applicable advisory agreement.

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

CWM may enter into performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. A performance fee arrangement is a method of compensating an investment adviser on the basis of a share of the gains or appreciation of the assets under management, often both realized and unrealized. The fee structure consists of a base fee and a performance fee.

Receiving performance-based fees for managing client's accounts could create an incentive for the IAR to focus more on the performance fee structured account than on an asset under management fee-based account. Managing accounts that receive the same basic investment advice under two different fee-based formats is often referred to as side-by-side management and doing so creates some conflicts of interest.

Pursuant to Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended, a "Qualified Client" must have at least \$1,000,000 of assets under management or a net worth of at least \$2,000,000 at the time of the agreement.

In compliance with its performance fee arrangement, please note the following:

1. The fee arrangement may create an incentive for CWM to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.
2. CWM may receive increased compensation with regard to unrealized appreciation as well as realized gains in the account.
3. The period which will be used to measure investment performance throughout the agreement is a calendar quarter basis. If, at quarter end, the client's account has declined in market value from the previous high-water mark (excluding any contributions or withdrawals), the client will not be charged the performance-based fee.
4. The client generally pays a performance fee equal to 20% of the net excess appreciation on the securities in the account over and above the Index and net of all fees, commissions and the advisory fee.
5. CWM's compensation is based on both realized and the unrealized appreciation of securities. Securities for which market quotations are readily available shall include the realized capital losses and unrealized capital depreciation of the securities over the period. Securities or other assets for which market quotations

are not readily available shall be valued in good faith in such manner as CWM shall determine in its sole discretion on a consistent basis, provided that if unrealized capital appreciation of such securities or assets is taken into account for the purpose of calculating Net Assets, unrealized capital depreciation of such securities or assets shall also be taken into account for that purpose.

We may manage, at the same time, accounts that are charged a performance-based fee and accounts that are charged a fee based on assets under management. As a result, CWM may have an incentive to favor accounts for which we receive a performance-based fee because such accounts could generate higher compensation. CWM believes it has created and implemented internal policies and procedures to address these conflicts.

As part of our duties to you, we endeavor at all times to treat you fairly without advantaging any client over another or benefiting ourselves to the detriment of advisory clients.

Item 7 – Types of Clients

We offer investment advisory services primarily to individuals, including high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations. The types of clients we service may change over time and from time to time based on CWMs growth.

The minimum for starting an account is \$50,000; however, we reserve the right to waive this requirement.

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

We use several different methods of analysis and sources of information when formulating investment strategies. We source information from financial periodicals, research materials prepared by others, annual reports, prospectuses, filings with the SEC and company press releases.

Investment Philosophy

As a general rule, our investment philosophy is to include a growth component in asset allocation; therefore, investors who are uncomfortable with the risks inherent in publicly traded stocks may want to consider using another investment advisor. Our investment management process begins with a system of asset allocation based on the client's expression and determination of risk tolerance. Coupled with the client's risk tolerance is the client's investment objective. We have established the following primary investment objectives:

- **Income & Growth** - The primary emphasis to the investor is an income provision, whether or not that income generation is currently distributed to the investor, with a secondary emphasis to grow the value of the portfolio. This objective classification will normally have no greater than 65% of the portfolio invested in equity type securities, except due to changes in market prices that percentage may be exceeded from time to time.
- **Growth & Income** - The primary emphasis to the investor is a growth provision but with a modest provision for income generation, even if that income is not currently distributed to the investor. This objective classification will normally have no greater than 85% of the portfolio invested in equity type securities, except due to changes in market prices that percentage may be exceeded from time to time.
- **Long Term Growth** - The primary emphasis to the investor is the growth of the portfolio with no provision for income generation, even if the account is currently receiving distributions to the investor, which distributions would normally result from the sale of invested assets. This objective classification may have up to 100% of its assets invested in equity type securities. However, due to market conditions and other factors, less than 100% of the portfolio may be invested in equity type securities, with potentially as little as -0-% invested from time to time.

Upon completion of determination of the client's risk tolerance and investment objective classification, volatility is managed by a system of tactical asset allocation, and security selection. Clients under a non-discretionary arrangement can modify or reject the asset allocation mix or models at any time. In addition, clients may place reasonable restrictions on the management of their account including restrictions on the type of securities that can be purchased in their account.

The system of tactical asset allocation is used to determine the level of systemic risk in equity markets, in order to determine a portfolio's model exposure to equities. For example, an income & growth portfolio may have a range of 0% to 65% investment in equities. The systemic risk in equity markets is determined by three primary factors:

- Monetary Measurements
- Relative Valuations
- Investor Sentiment

Individual equity securities are determined through a screening process with a proprietary focus on earnings and earnings estimates. Companies that do not match or exceed earnings estimates are usually sold.

Securities used in our management services may include publicly traded company stocks and Exchange Traded funds (ETFs), but Mutual Funds and Unit Investment Trusts may also be used. One requirement for utilization is intraday liquidity.

In general, securities are purchased with an initial minimum holding period of 6-30 months in mind. Securities may be held for shorter or longer periods due to a failure to meet earnings expectations, fundamental weakness, relative performance weakness, negative revisions to earnings estimates, unfavorable broker recommendations, changes in financial market conditions, or other factors.

Please note that when a strategy or strategies which require frequent trading of securities, such as tactical allocation or timing strategies, are implemented such frequent trading activities do not guarantee the probability of making profits in the account. Rather, it can increase the overall risk. Since frequent trading incurs substantial transaction charges, such trading strategies could reduce the overall profitability in the account. Frequent trading activities also have tax ramifications. CWM urges clients to consult with a competent tax advisor or tax consultant in this subject matter.

Methods of Analysis

We use the following methods of analysis in formulating investment advice:

- **Fundamental Analysis** involves reviewing financial statements to understand the general financial health of a company and reviewing the management team or advantages the company may have over the competitors.
- **Technical Analysis** involves the analysis of past market data: specifically, price and volume, and the use of patterns in performance charts. We use this technique to search for patterns that help predict favorable conditions for buying or selling a security.

Material Risks Involved

Investing in securities involves the risk of loss, which clients should be prepared to bear. Additionally, we cannot guarantee that we will achieve the stated investment objectives of our strategies. The value of your investment may be affected by one or more of the following risks, any of which could cause the portfolio's return or the portfolio's yield to fluctuate:

Market Risk: Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

Management Risk: The adviser's strategy may fail to produce the intended results.

Style Risk: Any of our strategies may invest in both "value" investments and "growth" investments. With respect to securities and investments we consider undervalued, the market may not agree with our determination that the security is undervalued, and its price may not increase to what we believe to be its full value. It may even decrease in value. With respect to "growth" investments, the underlying earnings or operational growth we anticipate may not occur, or the market price of the security may not increase as we expect it to.

Defensive Risk: To the extent that the strategy attempts to hedge its portfolio stocks or takes defensive measures, such as holding a significant portion of its assets in cash or cash equivalents, the objective may not be achieved.

Small and Medium Cap Company Risk: Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

Turnover Risk: At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

Developing Market Countries: The strategies implemented in investing in developing market countries are subject to all of the risks of foreign investing, generally, and may have additional heightened risks due to a lack of established legal, political, business, and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation, or currency devaluation.

Availability of Information: Certain issuers, including municipalities, private companies, and foreign issuers may not be subject to the same disclosure, accounting, auditing, and financial reporting standards and practices as companies publicly listed in U.S. stock markets. Thus, there may be less information publicly available about these issuers and their current financial condition.

Limited Markets: Certain securities may be less liquid (harder to sell), and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable or find buyers at any price.

Concentration Risk: To the extent that the strategy focuses on particular asset-classes, countries, regions, industries, sectors, or types of investment from time to time, the strategy may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

Interest Rate: Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Credit: An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value.

Prepayment or Call Risk: The issuer of a debt security may prepay or call the debt, in whole or in part, prior to the security's maturity date. We may be unable to reinvest the proceeds in a security of equivalent quality or paying a similar yield or coupon.

Trading Practices: Brokerage commissions and other fees may be higher in certain markets or for foreign securities. Government supervision and regulation of foreign securities markets, currency markets, trading systems, and brokers may be less than those in the U.S. stock markets. The procedures and rules governing foreign transactions and custody also may involve delays in payment, delivery, or recovery of money or investments.

Legal or Legislative Risk: Legislative changes or court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

Inflation: Inflation may erode the buying power of your investment portfolio, even if the dollar value of your investments remains the same.

Risks of Specific Securities Used

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

Bank Obligations including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are highly dependent on short-term interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

Common stocks have often outperformed other types of investments at certain times; however, individual stock prices may go up and down more dramatically. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

Corporate bonds may lose all value in the event of the issuer's bankruptcy or restructuring.

Exchange Traded Funds (ETF) prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

Foreign Securities including American Depositary Receipts (ADRs) may involve more risk than investing in U.S. securities. These risks include currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility.

High Yield Debt Securities are lower-rated debt securities of issuers that are not as strong financially as those issuing higher credit quality debt securities. These issues are more likely to encounter financial difficulties and are more vulnerable to changes in the economy, such as a recession or sustained period of rising interest rates, that could

affect their ability to make interest and principal payments when due. The prices of high yield debt securities generally fluctuate more than those of higher credit quality. These securities are generally more illiquid (harder to sell) and harder to value.

Inverse and/or Leveraged ETFs are securities that attempt to replicate multiples of the performance of an underlying financial index. Inverse ETFs are designed to replicate the opposite direction of these same indices, often at a multiple. These ETFs often use a combination of futures, swaps, short sales, and other derivatives to achieve these objectives. Most leveraged and inverse ETFs are designed to achieve these results on a daily basis only. This means that over periods longer than a trading day, the value of these ETFs can and usually do deviate from the performance of the index they are designed to track. Over longer periods of time or in situations of high volatility, these deviations can be substantial.

Margin Transactions increases their buying power. Trading on margin is a form of leverage. Specifically, when our clients trade on margin, they are borrowing from a broker to purchase more securities than they otherwise would be able to with their initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a client may lose more than its initial investment.

Municipal/Government bonds are susceptible to events in the municipality that issued the bond, or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties, and changes in the credit rating assigned to municipal issues.

Oil and Gas Interests may lose value due to changes in commodity prices, costs associated with transport of oil/gas, seasonal factors, or technological advances that impact the demand for oil and gas.

Real-Estate linked investments may be especially illiquid and subject to specific geographic risk.

CWM may utilize ETFs and mutual fund shares in its investment portfolios. ETFs and mutual funds are professionally managed collective investment products that pool money from many investors and invest in stocks, bonds, short-term money market instruments, derivatives and commodities or any combination thereof in accordance with the funds' objectives. ETFs may include investment companies structured as grantor trusts or interests in limited partnerships, some of which may invest in commodities and currencies directly or through the use of derivative products.

While ETFs and mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market or type of security, if it primarily invests in small cap or speculative companies, or uses leverage (i.e., borrows money) to a significant degree. Similarly, ETFs or mutual funds which invest in foreign stock markets can present additional risk due to political, economic and currency risks as well as differences in accounting methods and standards. While ETFs or indexed mutual funds are designed to track the performance of a specific index there is a risk that the ETF or mutual fund will fail to perfectly correlate with the index it is meant to track. Because the management company of the ETF or mutual fund will typically use a strategy to replicate the performance of the index, the strategy used may not track the index perfectly. CWM monitors tracking error and will adjust its product selection if tracking error exceeds expectations. Additionally, the performance of the ETF or mutual fund will also deviate from the underlying index due to fees and expenses.

Please note that there are many other circumstances not described here that could adversely affect your investment and prevent your portfolio from reaching its objectives. The list represents the typical risks involved with the various types of investments. The explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. CWM encourages all its clients to familiarize themselves with the investment risks.

Item 9 – Disciplinary Information

Capstone Wealth Management Corp. is required to disclose all material facts regarding 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. We do not have any legal or disciplinary events to report.

Item 10 – Other Financial Industry Activities and Affiliations

We are not, nor are any of our management persons (except as disclosed below), registered, nor do we have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or as an associated person of the foregoing entities.

In addition, neither CWM nor any of our management persons have any arrangement that is material to our advisory business or to our clients that we or any of our management persons have with any related person that is, under common control and ownership, a:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker,
- Investment company or other pooled investment vehicle,
- Other investment adviser or financial planner,
- Futures commission merchant (or commodity pool operator or commodity trading advisor),
- Banking or thrift institution,
- Accountant or accounting firm,
- Lawyer or law firm,
- Insurance company or agency,
- Pension consultant,
- Real estate broker or dealer or
- Sponsor or syndicator of limited partnerships.

We may enter into a sub-advisor arrangement with other registered investment advisers. In the sub-advisory agreement, we agreed to provide on a discretionary basis investment management services to clients of those firms. Refer to Items 4 and 5 above for details of our business relationship with other registered investment advisers and the compensation we receive.

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

Our firm has adopted a written Code of Ethics in compliance with SEC Rule 204A-1 under the Investment Advisers Act of 1940 (as amended—the Advisers Act). All employees of CWM are deemed by the Advisers Act to be supervised persons¹ and are therefore subject to this Code of Ethics. In carrying on its daily affairs, CWM and all of our associated persons shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by our governing regulatory authority. The Code of Ethics sets forth standards of conduct and requires compliance with state securities laws. Our Code of Ethics also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to the Chief Compliance Officer of the firm.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest including activities by which persons having knowledge of the investments and investment intentions of CWM might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place your interests first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to you; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, our personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create

¹ Supervised person means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

Our personnel are required to conduct their personal investment activities in a manner that we believe is not detrimental to you. Our personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics. The policy requires all Access Persons² to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. The Ethics Rules are available to you and prospective clients upon request. In the event that you request a copy of our Code of Ethics, we will furnish to you a copy within a reasonable period of time at your current address of record.

Our IARs may buy or sell securities that are recommended to clients. Furthermore, our IARs may buy or sell for their own accounts, securities that are also held by you. Conversely, they may buy and sell securities for client accounts which they themselves may own. Such transactions are permitted if in compliance with our Policy on Personal Securities Transactions. Generally, personal securities transactions will be pre-cleared when an order for the same or a related security is pending for the account of a client. Reports of personal transactions in securities by our IARs are reviewed by the firm's Chief Compliance Officer quarterly or more frequently if required.

We do not, nor do any of our related persons, recommend to you, or buy or sell for your accounts, securities in which we (or a related person) have a material financial interest. Additionally, we do not, nor does a related person, recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account.

We do not execute transactions on a principal or agency cross basis.

² Access person means any of your supervised persons who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. If providing investment advice is your primary business, all of your directors, officers and partners are presumed to be access persons.

Item 12 – Brokerage Practices

If you are in need of brokerage or custody services, and depending on your circumstances and needs, in a non-discretionary arrangement, we may recommend several broker-dealers, provided we can meet our fiduciary obligation of best execution. We will arrange for the execution of securities brokerage transactions for the account through broker-dealers that we reasonably believe will provide “best execution”. You must evaluate these firms before opening an account. Factors we consider when making any recommendations include the broker-dealers ability to provide professional services, our experience with the brokerage firm(s), the broker-dealer(s) reputation, and the firms' quality of execution services and costs for such services, among other factors. We do not consider whether we or a related person receive client referrals from a broker-dealer or third party in selecting or recommending broker-dealers to our clients. Furthermore, we do not routinely recommend, request, or require that a client direct us to execute transactions through a specified broker-dealer.

We use TD Ameritrade and Trust Company of America to execute transactions for client accounts. These custodians have been select based on efficiency of account platforms, costs to clients and online services. Who we select to execute transactions depends on the overall style of management we use. Each broker dealer is relatively similar but may have various different costs. In a non-discretionary arrangement, you are under no obligation to accept any our recommendations and are free to select any broker-dealer they may choose. We do not warrant or represent that commissions for transactions implemented through such brokers will be lower than commission available if you use another brokerage firm.

We will perform an ongoing review process of each broker we utilize with regard to their performance relative to each of the factors described above. We will document the results of its review process and its decision on whether to change or continue with the broker. We continuously assess the results of our review that occurred over the previous year to determine whether to continue with the existing brokerage arrangements or amend them based upon the results.

We receive research and/or other products or services from broker-dealers and/or a third party in connection with client securities transactions (“soft dollar benefits”) but do not consider this as the only factor in utilizing a particular broker-dealer. Through our relationship with TD Ameritrade and Trust Company of America, we receive certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information,

historical data base information and computer software that assist with our investment management process.

We may (but are not obligated to) combine or “batch” such orders (i.e., block trading) to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. We will block trades where possible and when advantageous to you. Block trading allows us to execute trades in a more timely, equitable and efficient manner and to seek to reduce overall commission charges to you. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our principal(s) and/or associated person(s) may invest, we shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We shall not receive any additional compensation or remuneration as a result of the aggregation.

Occasionally, we may place a limit order whereby we buy or sell a set number of shares at a specified price or better. This allows us control over the price at which the trade is executed. However, by placing a limit order, the order may never be executed, or the security being bought or sold may not be fully executed in the same day which may cause multiple ticket charges. Nonetheless, we will ensure by placing limit orders that such trading is beneficial to the client, that clients receive the same price, and that the proper allocation is made. Furthermore, by using TD Ameritrade and Trust Company of America to execute these orders, they are providing us best execution on the order on behalf of our clients.

Item 13 – Review of Accounts

Reviews and Reviewers of the Accounts

Accounts and portfolio holdings are reviewed by monitoring security positions on a daily basis. Reviews are performed annually, at a minimum, for accounts based on fees and based on values of the accounts, and semi-annually, at a minimum, for accounts with participation based on performance. We recommend periodic financial check-ups or reviews to clients receiving our planning services. It is your responsibility to initiate these reviews. Reviews will normally involve analysis and possible revision of a previous financial plan or investment allocation. Reviewer is the President of CWM. Reviews are completed by the President's assistant when the nature of the review would not involve investment advice. Triggering factors which could cause a formal review include, but are not limited to, changes in client objectives or circumstances, world events, market movements, interest rate changes or client requests.

Nature and Frequency of Regular Reports to Clients on their Accounts

You will receive monthly or quarterly brokerage statements directly from the custodian, depending on the activity in the account. You will also receive confirmations of the transactions.

We may furnish to you a quarterly performance report. The internal reports are intended to inform you as to the performance of the investments for the elected period. These reports will show account holdings and account performance over a specified time period. Reports will show profit/loss, dividend and interest income and other relevant account details. We recommend comparing the account statements you receive from the independent custodian with those you receive from us. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us.

Item 14 – Client Referrals and Other Compensation

We do not receive an economic benefit, including sales awards or other prizes, from a non-client for providing investment advice or other advisory services to our clients. However, we may from time to time make use of a solicitor, which the solicitor may be compensated. We will enter into written agreements with certain individuals and entities who will act as solicitors of CWM. Solicitors are compensated for referrals by receiving a portion of the fee paid by clients to CWM minus 0.55% in accordance with a written solicitor's referral agreement which complies with the Federal regulations as set out in SEC Rule 206(4)-3(a). Such referral fee will not result in any additional charge to the client. Such an agreement requires the IARs to: (1) provide the client with a separate solicitor's written disclosure document, which complies with the federal regulations as set out in SEC Rule 275.206(4)-3(b), prior to or at the time of entering into any advisory contract and (2) provide CWM with a copy of a signed and dated acknowledgment of receipt of the same disclosure document by the client. We will determine that any solicitor, with which the CWM contracts, is properly registered in those states where investment advice is provided to residents of that state.

In addition, we may enter into a sub-advisory agreement with registered investment advisers to provide investment management services to their clients. Refer to items 4 and 5 above for details of our arrangements including the compensation structure.

Item 15 – Custody

We do not take physical possession of client funds or securities. All client funds and securities are held at independent qualified custodians. However, we are deemed to have custody given that we may be granted authority to deduct the advisory fees from your account. In addition, we are deemed to have custody of clients' funds or securities when clients have standing letters of authorizations ("SLOAs") with their custodian to move money from a client's account to a third-party, and under that SLOA it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. The custodian will send to you, at least quarterly, an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us.

We may prepare and provide to you reports regarding your portfolio. You are encouraged to review these reports and compare them against reports received from the independent custodian that services your advisory account. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us.

Item 16 – Investment Discretion

As described in detail in Item 4 above, we manage client accounts on a discretionary basis, which allows us to make investment decisions without prior consultation with the client. Such discretion would involve determinations regarding which securities and the total amount of the securities to be bought and sold for the account based on the client's investment objectives and determined risk tolerance. Except in a non-discretionary arrangement, we will also have the discretion to determine the broker or dealer in which to execute such securities transactions, and what transaction fee rate shall be paid on your behalf. The transactions fees set forth by the broker/dealers are standard, and we do not affect or influence in any way the amounts they charge.

In managing investment portfolio, we act in a manner in keeping with what we understand and believe to be in your best interest. You will have the right to place reasonable restrictions on such authority. Any restrictions must be submitted in writing to us.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

Proxy Voting

As a matter of firm policy and practice, we do not vote proxies on behalf of advisory clients. Our client advisory agreements, or other client documents, provide that our advisory clients expressly retain the authority and responsibility for voting proxies of portfolio securities. We may provide advisory clients with administrative assistance regarding proxy voting or issues; however, the clients have the responsibility to receive and vote any proxies.

Class Actions

From time to time securities held in your portfolio may be the subject of class action litigation. The decision regarding whether to file a proof of claim in a class action settlement is a question involving legal judgment. We do not instruct or give advice to you on whether or not to participate as a member of class action lawsuits and will not automatically file claims on your behalf. If you request additional assistance, we will provide any transaction information pertaining to your account that may be helpful and/or needed in order for you or your custodian to file a proof of claim in a class action.

Item 18 – Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- currently have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 – Requirements for State-Registered Advisers

We are applying as an investment adviser with the SEC; so, this section is not applicable.