

## Item 1 – Cover Page

### Capstone Asset Management, LLC

817 West Broad Street, Bethlehem, PA 18018

800-257-2574

January 5, 2021

This Brochure provides information about the qualifications and business practices of CAPSTONE ASSET MANAGEMENT, LLC. If you have any questions about the contents of this Brochure, please contact us at 800-257-2574 and or [jschick@capstone-am.com](mailto:jschick@capstone-am.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CAPSTONE ASSET MANAGEMENT, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about CAPSTONE ASSET MANAGEMENT, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This document is being offered to you on behalf of Capstone Asset Management, LLC ("CAM") so as to provide with information about the services CAM provides and the manner in which those services are made available to its clients.

A copy of this disclosure document shall be provided to the client prior to, or contemporaneously with, the execution of any Client Advisory Agreement ("CAA") between each client and CAM. Any client who has not received a copy of CAM's written disclosure statement at least forty-eight (48) hours prior to executing any advisory agreement shall have five (5) business days subsequent to executing the agreement to terminate CAM's services and to receive a full refund of all client monies already paid without penalty.

Prior to engaging CAM to provide investment advisory services, the client will be required to enter into an advisory agreement with CAM and a separate custodial/clearing agreement. The advisory agreement shall set forth the terms and conditions of the engagement, and describes the scope of the services to be provided and the fees for such.

In performing its services, CAM shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. If requested by the client, CAM may recommend and or engage the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CAM.

#### Privacy Policy

All information given to CAM and all recommendations and advice furnished by CAM to the client will be kept confidential and will not be disclosed to anyone, except as CAM may agree in writing or as may be required to do so by law.

CAM will collect non-public personal information ("NPI") about the client as part of this engagement. This information will be obtained directly from the client and includes details such as the client's date of birth, social security number, financial account numbers and balances, tax returns, sources and amounts of income, home addresses, telephone numbers, and other such personal information.

As part of CAM's policy, CAM restricts access to confidential personal information about the client to those CAM employees who need to know that information in order to provide products or services to the client. CAM maintains physical, electronic, and procedural safeguards to comply with federal standards to guard the client's confidential personal information.

## **Item 2 – Material Changes**

**No material changes have occurred in the business, management or structure of Capstone Asset Management LLC since our last filing of the Form ADV Part 2 dated of January 6<sup>th</sup>, 2020.**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated January 5, 2021 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting John A. Schick, President at 800-257-2574 or [jschick@capstone-am.com](mailto:jschick@capstone-am.com). Our Brochure is available free of charge.

Additional information about “CAPSTONE ASSET MANAGEMENT, LLC” is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Capstone Asset Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Capstone Asset Management, LLC.

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## Item 4 – Advisory Business

Capstone Asset Management, LLC may provide investment supervisory services. Such service will be provided on a non-discretionary basis and would include ongoing monitoring and supervision of the client's account(s). For ease of reference, this service type shall be referred to as "investment supervisory" services. CAM's provides such services to community banks and thrifts. CAM was incorporated in September 2010. The owner and President is John A. Schick.

In order to determine a suitable course of action for an individual client, CAM shall perform a review of the client's financial circumstances. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the client's particular circumstances.

CAM may design, revise, and reallocate a client's custom portfolio. Investments are determined based upon the client's investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors. Restrictions and guidelines imposed by the client may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and the client should not expect that the performance of his/her custom portfolios will be identical to any other individual's portfolio performance).

As of 12/31/2020, CAM manages \$193,379,995 of client assets on a non-discretionary basis.

In making investment decisions on behalf of the client, CAM shall rely on a client profile document or client questionnaire, which would be completed by the client.

Since CAM's clients are community banks the primary investment vehicles would be the following:

**Equity Securities:** Exchange listed Securities; Securities traded over-the-counter & Mutual fund shares

**Fixed Income:** Warrants; Commercial Paper; Corporate Debt; Certificates of Deposit; Municipal Securities; & United States government securities.

Fees for CAM's advisory services described in this section may involve the following fee types:

· Fixed Flat Fees

Please refer to Item 5 below for specific details related to the fees CAM may charge for its investment supervisory services.

## Item 5 – Fees and Compensation

### *Fixed Fees:*

<b>Portfolio Size (millions)</b>	<b>Base Fee</b>	<b>Increment per \$1 MM over</b>
		<b>Range Minimum</b>
\$0 - \$10	\$30,000	\$1,000
\$15 - \$25	35,000	700
\$25 - \$50	42,000	360
\$50 - \$75	51,000	140
\$75 - \$100	54,500	70
\$100 - \$150	56,250	70
\$150 - \$200	59,750	70
\$200 - \$250	63,250	70
\$250 - \$300	66,750	70
\$300 - \$350	70,250	70
\$350 - \$400	73,750	70
\$400 - \$450	77,250	70
\$450 - \$500	80,750	70
\$500 - \$550	84,250	70

This schedule is used as a guideline only; all fees are subject to negotiation at the sole discretion of CAM.

### *Assessment of Annual Fixed Fees:*

CAM shall bill client on a quarterly (calendar) basis. The first bill ("inception bill") shall be calculated and prorated according to the date ("inception date") of execution of the CAA and shall be payable at the end of the calendar quarter in which the initial meeting between the client and CAM takes place. This fee portion shall be referred to as the "inception fee."

At the same time the inception fee is calculated, CAM shall also calculate, in advance, the next quarter's fee. This fee amount shall be calculated by assessing one quarter (1/4) of the total annual fixed fee charged against the assets in client's account(s). Client's first bill shall include the inception fee and the first full quarter's fee (advanced). Thereafter, each subsequent quarterly fee shall be payable, in advance, at the beginning of each calendar quarter.

In the event of termination, the client will receive a prorated refund of any pre-paid fees attributable to any period after the date of termination.

### *Other Fee Considerations:*

*Via direct billing.* Clients shall be invoiced by approximately the fifth business day of the month subsequent to the most recently ended calendar quarter. Payment is due upon receipt.

CAM, in its sole discretion, may charge a lesser or no advisory fee based upon certain criteria (i.e. anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with the client, etc.). No increase in CAM's fee(s) shall be effective without prior written notification of at least thirty (30) days to the client.

Item 12 further describes the factors that CAM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

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

CAM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

CAM provides investment advisory services to community banks and thrifts.

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

When giving investment advice CAM will not look at the investment portfolio as an island, but as a complement to the rest of the bank's assets. Investment analysis and strategies are different for each and every client but we are always taking into account a lot of different variables. The major risks we consider are credit risk, capital risk, interest rate risk, liquidity risk, economic risk, and current tax burden. Each investment strategy and vehicle has different risks and we communicate these risks and make sure the client clearly understands the difference between alternatives. Obviously, investing in securities involves risk of loss that clients should be prepared to bear.

CAM normally takes a long term investment perspective; however we are consistently monitoring the markets and the banking industry to make necessary changes when appropriate. Before we make a type of recommendation we do a balance sheet and income statement analysis. Using SNL database we run a quarterly analysis that enables us to look at the most recent quarterly numbers of our clients and go back as much as five quarters evaluating different ratios and trends. We look at the bank's current asset liability model, FHLB advance structure, the bank's investment policy and in addition, CAM runs an investment portfolio analysis. This investment analysis allows us to see how the portfolio is currently structured - giving us a compressive snapshot of its contents – duration, cash flow, interest rate shocks (up and down 300bps), detailed dynamics of each security. When evaluating all of these different types of analysis only then can we begin to suggest any type of investment strategy. As mentioned in Item 4 the following are the different investment types of securities we normally look at:

**Equity Securities:** Exchange listed Securities; Securities traded over-the-counter & Mutual fund shares

**Fixed Income:** Warrants; Commercial Paper; Corporate Debt; Certificates of Deposit; Municipal Securities; & United States government securities.

So, after educating ourselves as best as we can about our clients situation and then assessing the current market yields for each of these investment vehicles, we then determine a list of different recommendations – giving reasons and risks for each. The client then determines which of those strategies they would like to pursue or possible even take a different route.

In addition to the resources we mentioned above, CAM is consistently using the following resources: Bloomberg, ValueLine, Financial newspapers and magazines, inspection of corporate activities, research material prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, Company press releases taking both a fundamental and technical method in assessing securities for our clients.

Even though we are consistently following the markets we try to meet on-site with our clients every quarter to make sure we are in step with changes that are evolving. These meetings can be with the primary person that handles the investment portfolio, senior management, investment portfolio committee or the board of directors – or some combination of sort. In addition we try to make sure we are in weekly and sometimes daily communication with the portfolio manager as necessary.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CAM or the integrity of CAM's management. CAM has no information applicable to this Item.

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

Individuals associated with CAM may also be associated with Ameriprise Financial ("AMPF"), Member FINRA/SIPC. CAM and AMPF are not affiliated companies. AMPF will not be used to transact any business with CAM clients in the purchasing or selling of general security products.

Seifried and Brew LLC and Jay Brew LLC are affiliated companies that CAM has contracted with to provide both personnel and analytical data for its clients and shares personnel and office space with CAM.

## **Item 11 – Code of Ethics**

### **Code of Ethics**

At CAM, we take great pride in our commitment to serving our clients' needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients. Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, CAM has developed a Code of Ethics ("Code") as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing Investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm's IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code
- Enforcement of the Code

Each of CAM's representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all clients upon request.

CAM or its personnel may invest for their own accounts or have a financial interest in the same securities or other investments that CAM recommends or acquires for the accounts of the client, and may engage in transactions that are the same as or different than transactions recommended to or made for the client's accounts. Such transactions are permitted if effected, pre-cleared and reported in compliance with CAM's Policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for the account of the client. CAM's Designated Principal reviews reports of personal transactions in securities by CAM personnel quarterly or more frequently if required.

### **Investment Policy**

None of CAM's investment advisory representatives may effect for himself or herself or for his or her immediate family (i.e. spouse, minor children, etc.; collectively, "Covered Persons") any transactions in a security which is being actively recommended to any of CAM's clients, unless in accordance with the following Firm Procedures.

### **Firm Procedures**

In order to implement CAM's Investment Policy, the following procedures have been put into place with respect to CAM and its Covered Persons:

1. If the Firm is recommending that any of its clients buy any security, no Covered Persons may purchase that security prior to the client's purchase of that security; and
2. If the Firm is "recommending that any of its clients sell any security, no Covered Persons may sell that security prior to the client's sale of that security.

It is the primary intent of the preceding procedures are to ensure that the best interests of the Firm's clients are always served over that of the Firm's. Trading by or on behalf of the Firm and/or its Covered Persons that results in the interests of the Firm or its Covered Persons being served over that of its clients could be considered a breach of the Firm's fiduciary.

## **Item 12 – Brokerage Practices**

From time to time, CAM may refer the client to broker-dealers for the purposes of the effecting of securities transactions. For details as to what factors CAM may consider in selecting such broker-dealers, see below.

CAM is not a broker-dealer. Unless the client directs otherwise, CAM shall generally recommend that all the client's accounts be maintained at - and trades be executed by - certain other firms that may or may not be affiliated with CAM that appear on CAM's "Approved Broker-Dealer List."

Although not all-inclusive, CAM may recommend the following broker-dealers for trade execution and/or custody of client accounts:

Cantor Fitzgerald	Vining Sparks	Roosevelt & Cross
Bank of Oklahoma	JP Morgan Securities	Wells Fargo
Raymond James	Robert W. Baird	UBS
Citigroup Global Markets, Inc.	Morgan Stanley, Inc.	Piper Sandler
Credit Suisse	RBC Capital Markets	Goldman, Sachs
FHN Financial	Stifel Nicolaus	PNC Bank

Factors that CAM considers in recommending certain broker-dealers or custodians to clients may include such entity's financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, CAM or certain of its representatives may receive certain support services that may assist CAM in its investment decision-making process for all of CAM's clients. At no time will CAM accept any monetary "kickbacks" for doing transactions with any broker dealers. This would be considered a prohibited practice.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although CAM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client's account transactions.

The client may direct CAM to use a particular broker-dealer (subject to CAM's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such an event, the client will negotiate



terms and arrangements for the account with that broker-dealer, and CAM will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by CAM. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **Item 13 – Review of Accounts**

The Firm will review the client's account(s) quarterly. The Designated Principal or his/her designee shall review the client accounts for best execution, suitability, and service. The Designated Principal will review the performance and cost basis for the client's transactions. The client's objectives are used to review for suitability. Quarterly, transactions are reviewed referencing clients' objectives for any transaction that may not fit the client's stated objectives, or CAM's understanding of the client's objectives will be flagged and reviewed with the investment adviser representative placing the trade.

Events that may trigger further client account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her account(s), where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account.

Reviewers:

Number of reviewers: 1 - John A. Schick, President. Mr. Schick will employ the procedures noted above for the client's account(s) subject to CAM's investment advisory services.

Statements will be provided no less frequently than quarterly by the custodian (not by CAM) of the account identifying the account positions by cost basis, current price, and gains/(losses) for all securities transactions. Upon the client's request, a quarterly account appraisal may be created, for the client as well as an annual year-end statement.

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

Registered investment advisers are required to disclose all material facts regarding any Client Referrals or Other Compensation that would be material to your evaluation of CAM or the integrity of CAM's management. CAM has no such arrangements applicable to this Item.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CAM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16 – Investment Discretion

CAM will execute transactions at the Client's direction. In the absence of direction from the Client as to the use of a particular broker, CAM shall be free to execute transactions through a broker selected by CAM in its discretion.

## Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, CAM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. CAM may provide advice to clients regarding the clients' voting of proxies.

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CAM's financial condition. CAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Item 19 – Requirements for State-Registered Advisers

### **Education and Business Background:**

**Name:** John Andrew Schick  
**Year of Birth** 1970

### **Formal Education after high school:**

<b>Institution</b>	<b>Degree / Major</b>	<b>Years</b>
East Carolina University	M.B.A.	1991-1992
East Carolina University	B.S.B.A. Finance	1989-1991

### **Business Background for the preceding five years.**

<b>Entity</b>	<b>Title</b>	<b>Dates</b>
Capstone Asset Management	President / CCO	09/2010 - Present
Asset Management Partners	Investment Advisor	01/2009- 12/2010
BNK- Asset Mgmt. Partners	Investment Advisor	06/2006 - 12/2008
Ameriprise Financial	Institutional Advisor	09/2018 - Present
Investment Professional Inc.	Community Bank Specialist	07/2012 – 09/2018
BNK Investments(SWS Financial)	Investment Consultant	08/2008 – 07/2012
BNK Advisory Group, Inc.	Senior Bank Analyst	01/1996 - 06/2007

### **Licenses:**

Series 7 Registered Securities Representative  
Series 24 General Securities Principal  
Series 53 Municipal Securities Principal  
Series 63 Uniform Securities Agent State Law  
Series 66 Investment Advisor Representative