

Folger Nolan Fleming Douglas Capital Management, Inc.

725 15th Street, NW

Washington, DC 20005

(202) 626-5220

July 2, 2021

This brochure provides information about the qualifications and business practices of Folger Nolan Fleming Douglas Capital Management, Inc. (“CMI”). If you have any questions about the contents of this brochure, please contact Neil C. Folger, Executive Vice President, at 202-626-5220. 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 CMI is also available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

Set forth below is a discussion of the material changes to the brochure of CMI since the last annual update to the brochure, which was filed with the Securities and Exchange Commission on March 31, 2021.

- The sections for CMI Advisory Business, Fees and Compensation, and Other Financial Industry Activities and Affiliations have been updated to reflect that CMI may provide sub-advisory services to clients in its affiliate's wrap fee programs.

CMI will provide clients with a summary of any material changes to this brochure since CMI's last annual update to the brochure within 120 days of the close of CMI's fiscal year end. CMI may provide additional interim disclosure about material changes, if warranted.

Brochure Table of Contents

Subject	Page Number
Material Changes	2
Advisory Business	4
Fees and Compensation	4
Performance Based Fees and Side-by-Side Management	7
Types of Clients	7
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	8
Other Financial Industry Activities and Affiliations	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Brokerage Practices	11
Review of Accounts	12
Client Referrals and Other Compensation.....	13
Custody	13
Investment Discretion	13
Voting Client Securities	13
Financial Information	13
Requirements for State-Registered Advisers	14

Advisory Business

CMI was founded in 1978 as a division of Folger Nolan Fleming Douglas Incorporated (“FNFD”), a dually registered broker-dealer and investment adviser, and is now a wholly owned, indirect subsidiary of FNFD. FNFD is principally owned by Lee M. Folger through trusts and other entities.

CMI provides discretionary investment management services to clients and has full power and authority to buy and sell stocks, bonds and other securities for their accounts. CMI generally manages client accounts using a buy and hold strategy. Each account is customized according to the investment objectives and risk tolerances of the client and is managed individually. Trades for clients are generally placed on an account by account basis. Clients may request that restrictions be imposed on investment in certain securities or types of securities or on the amount of certain securities or types of securities in their portfolios.

CMI’s buy and hold strategy is based on the principle that investments on behalf of clients will generally be held for the longer term. CMI invests in equity securities, almost all of which have large market capitalizations and are widely traded in public securities markets. For clients seeking fixed income investments, CMI invests in U. S. Treasury securities, Agency securities, municipal bonds and corporate fixed income securities. Treasury Bills may be purchased for cash management purposes, liquidity needs, or as a fixed income investment strategy. Clients can elect to purchase Treasury Bills on their own, independent of their CMI account, in which case they will not be charged a management fee on those securities. CMI may purchase exchange traded funds (“ETFs”) for clients in order to gain exposure to international equity securities, U.S. small and mid-cap equity securities, and certain equity market sectors, such as biotechnology, information technology, publicly traded real estate investment trusts (“REITs”), and other sectors and markets. CMI may also purchase fixed income ETFs.

The Investment Policy Committee (“IPC”) of CMI maintains a list of equity securities that may be purchased for client accounts for which CMI provides discretionary management services (“Buy List”). The members of the IPC are Neil C. Folger, who serves as Chair, David M. Brown, and Richard S. Foster. Neil C. Folger is a Senior Portfolio Manager of CMI and a Registered Principal of FNFD. David M. Brown is a Senior Portfolio Manager of CMI and a Registered Representative of FNFD. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD and a Registered Principal of FNFD. Periodically, the IPC adds securities to or deletes securities from the Buy List based on recommendations by CMI Senior Portfolio Managers.

CMI also may provide sub-advisory services to clients of FNFD. CMI may manage all or a portion of a client’s assets as a sub-advisor in certain wrap fee programs made available by FNFD. Wrap fee program fees in general include both transaction costs and management fees in one overall fee. For additional disclosure of this relationship see the sections entitled Fees and Compensation and Other Financial Industry Activities and Affiliations.

As of December 31, 2020, CMI managed \$987,085,170 of client assets on a discretionary basis.

Fees and Compensation

CMI generally requires a minimum of \$500,000 in assets for new accounts. This minimum account size may be waived under certain circumstances, based on analysis of the relationship of the account to other accounts managed by CMI, the potential for growth in the account, the nature and duration of other business relationships between the client and CMI or FNFD, and other factors.

Clients compensate CMI based on a percentage of assets under management as set forth in their investment advisory agreements. The currently offered fee schedule is as follows:

Assets Under Management	Annual Rate
The First \$2,000,000	1%
The Next \$3,000,000	.75%
All Assets over \$5,000,000	.50%

Fees may be negotiable, and may be higher or lower than the standard schedule depending on the types of assets under management, the size of the account, relationships with other accounts, the extent of supplemental services to be provided to the account, and other factors.

Investment advisory fees are charged quarterly in advance and are based on the value of the assets under management on the last business day of the previous quarter. Cash and cash equivalents are generally included in the value of assets under management for purposes of calculating the advisory fee. The quarterly fee is computed at one fourth the annual rate. Fees are generally deducted from the client's account in custody at Pershing LLC ("Pershing"), the clearing broker for FNFD, or may be billed to the client, at the client's option.

Each CMI client enters into an advisory agreement that continues in force and effect until either the client or CMI gives notice to the other party of its intention to cancel it, in which event the contract terminates on such date as is specified by the terminating party. When either party terminates the relationship, the "unused" portion of the prepaid management fee is refunded by CMI. The "used" portion covers the period from the beginning of the quarter in which the contract is cancelled through the specified termination date.

When CMI is acting as a sub-advisor for FNFD wrap fee client accounts, a portion of the overall fee charged to the wrap fee client by FNFD is paid to CMI. FNFD's clearing broker Pershing will make such payments to CMI as directed by FNFD. FNFD wrap fee clients for whom CMI provides sub-advisory services do not pay a separate fee to CMI. The fee paid to CMI as sub-advisor may be more or less than fees paid to other sub-advisors for FNFD wrap fee programs.

In addition to CMI advisory fees, clients will incur brokerage commission costs. Most clients have directed that our broker-dealer affiliate, FNFD, act as broker in their transactions. In such cases, FNFD earns brokerage commissions for security trades effected in CMI client accounts. FNFD transaction charges for security trades effected in CMI client accounts are disclosed below in the section of this brochure entitled Brokerage Practices. Clients have the option, however, to purchase securities recommended by CMI through other brokers or agents that are not affiliated with CMI.

Trades executed by FNFD for CMI client accounts are cleared through Pershing. FNFD pays Pershing for execution, clearance, and other services, and CMI receives research and other analysis from Pershing as a result of this relationship.

For any client account that holds mutual funds or ETFs, the mutual fund or ETF will charge its own investment management fee as disclosed in the prospectus for the mutual fund or ETF. This investment management fee is separate from and in addition to the investment advisory fee charged by CMI. For additional information on fees and payments associated with mutual funds held by CMI clients, please see below.

FNFD makes available to clients of CMI who are FNFD customers cash management services in the form of sweep arrangements. Clients may choose to utilize interest bearing deposit accounts available through the Reich & Tang Deposit Solutions, LLC with banks insured by the Federal Deposit Insurance Corporation up to limits established by Congress, or various money market mutual funds managed by Dreyfus Corporation (“Dreyfus”). Dreyfus is a BNY Mellon Company and an affiliate of Pershing. The sweep arrangement money market mutual funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, unless disclosed otherwise in the prospectus for the fund.

FNFD changed clearing firms from Wells Fargo Clearing Services LLC (“Wells Fargo”) to Pershing as of February 10, 2020. Prior to the change in clearing firms, FNFD received payments on balances in cash management sweep accounts of CMI clients. The amount of such payments in recent years has ranged from .0375 to .60 of 1% of client balances held in bank deposit sweep accounts, and 0 to .60 of 1% for certain money market mutual funds. Such payments were received through FNFD’s prior clearing firm. Concurrent with the change in clearing firms, FNFD no longer receives such payments.

Clients are free to direct that their cash balances be managed through investment in U.S. Treasury securities that will require the payment by the client of a commission. Clients may also make arrangements to have their cash managed by persons or entities other than FNFD.

Mutual funds typically offer different share classes with different costs. Generally, share classes that cost the holder more pay more to a financial intermediary, such as FNFD or its affiliates. Nonetheless, CMI attempts to recommend or purchase the lowest cost share class available to a client provided to CMI by Pershing, FNFD’s clearing broker, or another broker selected by the client. On occasion, this may not be the case, for instance when mutual fund positions are acquired by the client before the management of the account is transferred to CMI. In such cases, conversion to the lowest cost share class available to the client through the appropriate clearing broker may not occur for up to ninety days after the legacy positions are placed in the client’s advisory account at CMI. Share classes may not be converted at all if such conversions create tax liabilities that outweigh the cost savings from conversion.

CMI selects the lowest cost share class available to a client that is offered by Pershing or another broker selected by the client. Not all clearing brokers offer every share class of a particular mutual fund, and some clearing brokers require other conditions to be satisfied before making a particular share class available. It is possible that lower cost share classes would be available to the client if another clearing broker was used.

CMI ordinarily does not recommend or purchase mutual fund shares for its clients. From time to time, client accounts hold mutual fund share classes that pay Rule 12b-1 fees to FNFD, other affiliates of CMI, or any of their employees. These payments create a conflict of interest for CMI due to the incentive to recommend that the client continue to hold or purchase these mutual fund share classes, even if a lower cost share class of the same mutual fund is available to the client through the appropriate clearing broker. CMI seeks to address this conflict by making investment recommendations based solely in its clients’ best interests, by disclosing to its clients the conflict of interest associated with buying and holding mutual fund shares with Rule 12b-1 fees, and where appropriate, by conversions to the lowest cost share class available to the client.

If a CMI client enters into an arrangement to borrow against the value of the assets in its account, either through a Pershing margin lending arrangement or a Bank of New York Mellon (“BNY”) securities-based lending product, FNFD will receive payments from Pershing or BNY, as applicable, for a portion of the interest charged the client by Pershing or BNY.

Performance-Based Fees and Side-by-Side Management

CMI does not charge performance-based fees.

Types of Clients

CMI provides investment advice to individuals, pensions and profit sharing plans, trusts, estates, charitable organizations and other non-profit, corporate, and business entities.

Methods of Analysis, Investment Strategies and Risk of Loss

CMI uses fundamental methods of analysis in determining the securities to be purchased or sold. The main sources of information include research reports prepared by others, financial and other publications, corporate rating services, and company press releases, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

As indicated, CMI uses a long-term buy and hold strategy focused on individualized account management with investments generally in large-cap equity securities and fixed income securities. ETFs are used to gain exposure to small- and mid-cap equity securities, specific equity market sectors, international stocks or fixed income. ETFs are either mutual funds or unit investment trusts that hold portfolios of common stocks or bonds and are designed generally to correspond to the price and yield performance of their underlying indexes, representing either the broad stock market, market sectors at different capitalization levels, industry sectors, international stocks, or U.S. or international fixed income securities.

The CMI IPC maintains a Buy List of securities deemed suitable for investment on behalf of clients. The committee meets from time to time to consider whether to add or delete securities to or from the list and acts by consent between meetings.

Any investment in securities involves the risk of loss of principal. The success of CMI's investment activities for client accounts may be affected by general economic and market conditions, such as economic growth or lack thereof, and such factors as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments made by CMI. Unexpected volatility or illiquidity could impair profitability of investments or result in losses. There is no guarantee that CMI will be successful in implementing its investment strategies.

Account values may fluctuate over short periods of time as a result of short-term market movements and over longer periods during market downturns. Individual securities in client accounts may face trading risks, including the potential lack of an active trading market and the resulting inability to sell the security or sell at favorable times or prices. The value of individual securities in client accounts may be adversely affected and decline as a result of changes to the issuer's financial condition, credit rating, business prospects, or other circumstances.

Specific types of securities each have attendant risks:

The equity market sector will generally present the greatest degree of risk of loss for client portfolios. The value of equity securities may fluctuate in response to company specific factors, industry market conditions or the general economic environment. Common shares generally are the most junior securities in a company's capital structure and are thus in the first-loss position and the most susceptible to fluctuations in value. While CMI expects to invest substantially in securities with large market capitalizations, it may invest in small- or mid-capitalization securities as well. The securities of smaller companies may involve

greater risk. These securities may be subject to greater volatility and may be less liquid than those of larger companies.

International equity investments involve additional risks, including the risk of capital loss from unfavorable fluctuations in currency values, differences in accounting treatment, or economic or political instability in other nations. In addition, the application of foreign tax laws (e.g. the imposition of withholding taxes on dividends or interest payments) or confiscatory taxation may affect investments in foreign securities.

The value of fixed income securities may change due to market volatility and interest rate fluctuation. When interest rates decline, the value of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities can be expected to decline. The market value of fixed income securities also varies according to the financial condition of the issuer or of the performance of the fixed income sector of which the issuer is a part.

Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to replicate exactly the performance of the indexes because of their expenses, tracking error (discrepancy between the composition of the underlying index and the composition of the ETF), and other factors. An exchange traded sector fund may be adversely affected by the performance of the specific sector or group of industries or companies on which it is based.

CMI maintains a Buy List of securities deemed suitable for investment on behalf of clients. Investing only in securities on the Buy List carries with it specific risks that predominately large market capitalization equities may underperform in comparison to the general securities markets or other asset classes. Investing only in securities on the Buy List may create concentrations in an individual security, industry, or asset class. Such a strategy may involve a greater risk of loss of principal or underperformance due to potential adverse occurrences affecting Buy List securities.

Risk in the Use of Margin or Other Securities-Based Lending

For clients that may borrow against the value of the assets in their account, interest is charged as disclosed in the Pershing margin lending agreement, or other securities-based lending agreement. Advisory fees shall be calculated based upon the market value of the securities and other assets in the account (without giving effect to any margin or other debit balance in the account). The use of margin increases risk through the increase of leverage in an account. In addition to the risks mentioned above, with respect to investment advisory account(s) that are pledged or otherwise used as collateral for margin, the exercise of Pershing rights and powers over the assets in your advisory account(s), including the disposition and sale of any and all assets pledged as collateral, may be contrary to your interests and the investment objective of your advisory account(s). For example, the use of margin or a securities-based lending product could result in a situation in which you are required to liquidate securities you may not wish to sell, and which may not be in your best interests to sell.

Disciplinary Information

On September 30, 2019, CMI elected to participate in the SEC's Share Class Selection Disclosure Initiative (the "SCSD Initiative"). The SCSD Initiative provided investment advisers with the opportunity to voluntarily self-report to the SEC's Division of Enforcement possible securities law violations related to the adequacy of their disclosures concerning mutual fund share class selection and fees received pursuant to Rule 12b-1 under the Investment Company Act of 1940.

At the conclusion of the SCSD Initiative, the SEC issued an Order instituting administrative and cease-and-desist proceedings against CMI, and CMI consented to the entry of the Order without admitting or denying the findings therein. As described in the Order, the SEC found that at times from January 1, 2014 to May 31, 2018 (the “Relevant Period”), CMI held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower cost share classes of the same funds for which the clients were eligible. The fees were paid by mutual funds to CMI’s affiliated broker-dealer in connection with these investments. According to the Order, during the Relevant Period, CMI did not disclose adequately to its investment advisory clients in its Form ADV or otherwise the conflicts of interest related to CMI’s affiliated broker-dealer’s receipt of 12b-1 fees. The Order states that as a result of the conduct described above, CMI breached its fiduciary duty to the affected clients and willfully violated Section 206(2) of the Advisers Act.

Under the terms of the Order, CMI was censured and ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act. In addition, the Order requires CMI to pay disgorgement and prejudgment interest to affected investors totaling \$59,479.27, and to fulfill certain related undertakings. No penalty was imposed on CMI because it self-reported the disclosure deficiencies to the SEC.

Other Financial Industry Activities and Affiliations

CMI is a wholly owned, indirect subsidiary of FNFD. FNFD is a dually registered broker-dealer and investment adviser and is a member of the New York Stock Exchange and the Financial Industry Regulatory Authority, Inc. At the direction of its clients, CMI places trades for the majority of clients through FNFD, as more fully described in the section entitled Brokerage Transactions. In addition, CMI and FNFD have entered into an intercorporate agreement under which FNFD provides CMI with significant administrative and operational services.

FNFD provides wrap fee programs through its clearing relationship with Pershing and Pershing’s affiliate Lockwood Advisors, Inc. Wrap fee programs, in general, include both transaction costs and management fees in one overall fee. Some wrap fee programs may include the management of assets by sub-advisors selected by a wrap fee manager. For wrap fee programs in which FNFD recommends that CMI manage the assets as sub-advisor, a portion of the wrap fee charged to a wrap fee client by FNFD will be paid as a sub-advisory fee to CMI. FNFD wrap fee clients for whom CMI provides sub-advisory services do not pay a separate fee to CMI. FNFD’s clearing broker Pershing will make such payments to CMI as directed by FNFD. When recommending CMI as a sub-advisor, FNFD remains responsible for the overall investment relationship with the client. This may include but is not limited to determining the client’s investment objectives, investment time horizon, asset allocation, account set up and ongoing administration. Because CMI and FNFD are affiliates, a conflict of interest is present when FNFD recommends CMI as sub-advisor to its wrap fee clients and CMI provides sub-advisory services to FNFD wrap fee clients. CMI attempts to mitigate this conflict by disclosure in this Brochure and by managing such sub-advised accounts in the best interest of each client.

CMI and FNFD share certain members of management. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD, a director of both CMI and FNFD, and a Registered Principal of FNFD. John R. Current, the Secretary of CMI, is also Executive Vice President and Secretary of FNFD, a director of both CMI and FNFD, and a Registered Principal of FNFD. Lee M. Folger is the Chairman of the Board of both CMI and FNFD.

Neil C. Folger is a Senior Portfolio Manager and Executive Vice President of CMI, Vice Chairman of both CMI and FNFD, and also a Registered Principal of FNFD. David M. Brown is a Senior Portfolio Manager

and Executive Vice President of CMI and also a Registered Representative of FNFD. Management of client accounts and the business of CMI is primarily conducted by Neil C. Folger and David M. Brown.

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

CMI has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The portion of the Code that governs personal securities transactions is applicable to all “Access Persons” (as defined in the Code), including CMI employees, certain officers of FNFD, members of the IPC of CMI, and members of all their households.

The Code requires all CMI employees to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other things:

- prohibit employees from taking personal advantage of opportunities belonging to clients,
- prohibit trading on the basis of material nonpublic information,
- place limitations on personal trading by employees and impose preclearance and reporting obligations with respect to such trading,
- impose limitations on the giving or receiving of gifts and entertainment, and
- restrict employees’ outside business activities.

Generally, equity securities in which CMI invests for clients are widely traded in public securities markets. Accordingly, it is the policy of CMI to permit Access Persons to invest in the same securities as clients, subject to preclearance procedures that are intended to minimize any potential impact on client transactions from transactions by Access Persons.

Access Persons are permitted to trade immediately upon approval in securities that are not on the CMI Buy List or held by CMI clients. During the last hour of the trading day, Access Persons are permitted to trade up to 500 shares or up to 1% of the average daily trading volume (calculated annually) in securities on the CMI Buy List or held by CMI clients, whichever is less. During the last hour of the trading day, Access Persons are also permitted to make trades greater than 500 shares in securities on the CMI Buy List or held by CMI clients if CMI will not be trading in the security on the trading day for which preclearance is sought. FNFD also follows these procedures when trading for its proprietary accounts.

All trades except trades in certain exempt securities must be reported to CMI. Such reports are monitored regularly by the Chief Compliance Officer.

A copy of CMI’s Code of Ethics may be obtained from CMI’s Chief Compliance Officer, Joseph Urban, at (202) 626-5300.

It is CMI’s policy that neither it nor its affiliate FNFD will trade with CMI clients as principal.

As a registered broker-dealer, FNFD from time to time may effect transactions in which CMI client securities are sold to or bought from a brokerage customer of FNFD (“agency cross transactions”). FNFD may receive compensation from its brokerage client in such transactions. Because FNFD and CMI have duties and responsibilities to both parties to the transaction, there is inherently the possibility of a conflict

of loyalties. CMI clients, by entering into their investment advisory agreements, consent to agency cross transactions that are executed in accordance with SEC rules.

It is CMI's general policy not to effect trades between the accounts of advisory clients ("cross trades"). CMI client accounts are managed on an account by account basis, and each trade for each such account is generally placed by the portfolio manager for the account based on the needs of the account, independent of trades for other client accounts and at the prevailing market price at the time of the trade. Accordingly, it is possible that CMI may purchase and sell the same security on the same day for different clients at different times and different prices. In such instances, CMI does not cross the trade between accounts. In these cases, clients will not be charged commissions on the number of shares of the same security that are both bought and sold on that day for CMI clients.

Notwithstanding the general policy not to engage in cross trades between CMI clients, under certain limited circumstances (for example, if a client wishes to raise cash in his or her account), CMI may determine that it is appropriate to sell a security from one client account and purchase the security for another client account. Such transactions may occur, for example, in the case of a sale on behalf of one client of municipal securities that may be desirable for the accounts of one or more other clients.

Brokerage Practices

Not all advisers require or recommend that their clients direct brokerage. However, CMI does request that clients direct brokerage to a specific broker-dealer firm. Many investment advisory clients have directed that CMI use FNFD for execution of their transactions. Investment advisory clients may also direct that CMI use brokers other than FNFD. CMI, as an affiliate of FNFD, has an incentive to recommend FNFD to its clients instead of an unaffiliated broker-dealer. Where the client directs CMI to use a specific broker other than FNFD, the commission rate will be as agreed between the client and such broker. Commission rates charged by such brokers may be higher or lower than those charged by FNFD to CMI clients, which are described below in this section.

For clients who have directed that CMI use particular brokers (including FNFD), such a direction of brokerage may result in their receiving less favorable executions in certain transactions, or in their paying higher transaction costs either in individual transactions or in the aggregate, because CMI will be bound to use their broker regardless of its execution capabilities or other execution opportunities available in the marketplace with respect to particular transactions.

CMI generally manages accounts and places orders on an account by account basis. CMI clients who have directed that FNFD act as broker in their transactions generally pay brokerage commissions on equity trades at FNFD's standard rates for CMI clients, not to exceed \$.05 per share, subject to a minimum of \$10 per trade. For smaller accounts, a significant number of trades in equity securities may be expected to incur the minimum charge.

Commission rates charged by FNFD are higher than rates available from certain other brokers. Commissions charged to other FNFD customers may be higher or lower than commissions charged to CMI clients.

Compensation for trades in fixed income securities on behalf of CMI clients varies according to the nature of the security, the size of the trade and the depth and liquidity of the market for the security in question. The commission schedule for such trades is as follows.

FNFD is compensated for purchases and sales of U.S. Treasury securities on behalf of CMI clients at a maximum rate of \$1.00 per \$1,000 par value, up to \$25 per trade, except for sales of U.S. Treasury securities with a remaining maturity of six months or less, for which there is no charge.

FNFD is compensated for purchases and sales of municipal securities at rates that range from \$2.50 per \$1,000 par value for trades up to \$100,000 par value to a maximum of \$500 for trades of \$426,000 par value or more. There is a minimum charge of \$20 for the purchase or sale of municipal securities.

For the purchase and sale of U.S. Agency fixed income securities and corporate bonds, commissions are \$1.00 per \$1,000 par value, up to a maximum of \$25.

From time to time, client accounts hold mutual fund share classes that pay Rule 12b-1 fees to FNFD, other affiliates of CMI, and certain of their employees. For additional information, see “Fees and Compensation” above.

Although CMI generally manages accounts individually and places trades for such accounts separately, from time to time it may aggregate client trades for execution when it believes in its discretion that such aggregation will achieve the most equitable execution for all clients involved. Aggregated orders placed through Pershing may be executed as a single block or in a series of trades throughout the day and will receive the average price for executions done in a single trading day.

Clients who have directed that CMI use brokers other than FNFD, which acts as broker for the great majority of CMI clients, will be excluded from participating in any block trades effected by FNFD and thus from any attendant benefits of average pricing and economies of scale. Transactions for such other clients may be effected either before or after transactions effected by FNFD for clients who have directed brokerage to it.

FNFD may effect transactions for CMI clients in fixed income securities that trade in dealer markets. There may be dealer costs embedded in the price paid in connection with FNFD’s purchase of such securities. In such cases, in addition to those embedded third-party dealer costs, commission charges may be imposed by FNFD, with the result that total transaction costs in some transactions will be higher than might otherwise be obtained if CMI traded directly with the third-party dealers. CMI believes that utilizing the services of FNFD provides both expertise on selection of specific fixed income issues in light of credit risk, market risk, and call risk and access to specialized dealer networks in such instruments. This improves both the quality and quantity of securities made available to advisory clients, particularly in decentralized or opaque markets such as the secondary market for municipal securities.

CMI does not have any soft dollar commission arrangements and does not direct brokerage to brokerage firms in exchange for referrals.

Review of Accounts

Specific supervision responsibilities for all accounts are divided between two senior portfolio managers. In general, each account is reviewed quarterly for compliance with investment objectives by the primary portfolio manager responsible for the account. At least annually each account is reviewed for compliance with investment objectives by a portfolio manager other than the primary portfolio manager. In addition to the review upon account opening and periodically thereafter, accounts also may be reviewed in other circumstances, such as upon large additions or withdrawals of funds, significant market events, or at client request.

CMI provides clients with quarterly reports showing the holdings in their accounts and their valuations and quarterly reports of capital gains and losses for taxable accounts.

In addition, clients receive statements from their qualified custodians on a monthly or quarterly basis as determined by the activity in their accounts. CMI urges all clients to review and compare the quarterly

account statements they receive from their custodians with the quarterly account statements they receive from CMI.

Client Referrals and Other Compensation

CMI has agreements with several individuals not affiliated with CMI or FNFD who, among other things, solicit and refer prospective clients to CMI. The compensation paid to these individuals consists of a specified portion of the advisory fee for the entire period the referred account is a client of CMI.

Contracts with such solicitors require them to provide each prospective client a copy of CMI's brochure and a written disclosure document describing their fee arrangements at or prior to the time the client enters into any advisory agreement with CMI.

CMI also has agreements with certain of FNFD's registered representatives who solicit investment advisory clients for CMI. These individuals receive a specified portion of the advisory fee, generally 20% of the advisory fee, in addition to any brokerage commissions for transactions on behalf of the account.

Custody

CMI may be deemed to have custody of client assets as a result of deducting fees from the accounts of clients who have authorized such deductions. CMI does not act as a qualified custodian for client accounts. Client assets are held by Pershing and such other custodians as clients designate, all of which are qualified custodians.

As noted, CMI provides clients with quarterly reports showing the holdings in their accounts and their valuations and quarterly reports of capital gains and losses for taxable accounts.

Investment Discretion

CMI has discretionary authority pursuant to its investment advisory contracts with clients to buy and sell stocks, bonds, and other securities for client accounts and to determine the amount of such securities to be bought or sold.

Voting Client Securities

Although CMI generally has discretionary authority with respect to client accounts, CMI by contract with clients does not have responsibility for voting proxies on behalf of clients. Clients will receive their proxies or other corporate action solicitations directly from their custodian or the issuer's transfer agent.

CMI does not routinely act on corporate actions not involving investment decisions or on class actions; however, CMI may provide support in connection with such actions upon specific request.

Financial Information

CMI does not require or solicit more than \$1,200 in fees per client, six months or more in advance.

CMI has never been the subject of a bankruptcy petition and is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to its clients.

Requirements for State-Registered Advisers

CMI is not registered with any states, but is registered with the U.S. Securities and Exchange Commission.