

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 29, 2021

#### **Coe Capital Management, LLC**

SEC File No. 801-56483

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This brochure provides information about the qualifications and business practices of Coe Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 847-597-1700 or via email to [info@coecapital.com](mailto:info@coecapital.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There are no material changes from the brochure dated July 1, 2020.

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## Item 4: Advisory Business

### A. Coe Capital Management, LLC

Coe Capital Management, LLC ("CCM" or "the firm") is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") that provides investment management services to a diverse group of individual and high net worth clients. Mark D. Coe is the owner of CCM, which he founded in 1999.

In accordance with the terms of CCM's Operating Agreement, as amended, Mr. Coe has delegated the day-to-day operations of CCM to an Executive Committee, composed of the following CCM professionals:

- Paul Wehner
- Karen Scott

### B. Advisory Services Offered

#### B.1. Wealth Management Investment Advisory Services

CCM offers and provides customized wealth management investment advisory services to individuals and high net worth clients on a discretionary basis. In doing so, CCM's wealth management team offers a boutique approach where we tailor our recommendations to each individual client using allocations of our internally constructed asset class investment strategies. Specific models for each investment strategy are designed for different risk tolerances and implemented specifically to meet each client's needs. For its discretionary asset management services, CCM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

Our approach begins through information gathering meetings with the prospective clients to understand their specific goals, needs and time horizons. During these meetings, CCM collects and assesses various client data including information concerning the client's risk tolerance and cash flow as well as information about the client's financial goals and objectives ("Investment Guidelines"). It is the client's responsibility for promptly notifying CCM in writing of any material changes to client's Investment Guidelines. CCM does not assume any responsibility for the accuracy of the information provided by the client. Once the Investment Guidelines are assessed, CCM recommends a strategy and asset allocation structure that aligns with the client's respective investment objectives and risk tolerance.

In addition to providing CCM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. CCM will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. CCM will also contact clients at

least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **B.2. Model Portfolios**

In addition to the services mentioned above, CCM has entered into a written agreement with an unaffiliated, dually registered broker-dealer/investment adviser to provide model portfolios for the adviser's clients. Under this arrangement, CCM transmits trading signals and portfolio allocation percentages to the unaffiliated adviser. The unaffiliated adviser is responsible for initial and ongoing suitability determination and will work directly with the client in selecting the appropriate CCM model portfolio strategy. Under this model portfolio arrangement, the unaffiliated adviser has full discretion to select and hire or terminate its relationship with CCM at any time and in accordance with the agreement entered into between the client and the unaffiliated adviser.

### **B.3. Recommendations of Private Investment Vehicles**

CCM will suggest to certain clients who are qualified and for which it is suitable to invest in one or more private investment vehicles. These include, without limitation, unaffiliated private hedge funds, real estate funds, limited partnerships, and other types of private pooled investment vehicles, as well as contributions and new investments into Intrinsic Edge Funds and Intrinsic Holdings, LLC (collectively, "Private Funds"). The Private Funds' underlying investments will depend on the type of fund, but can include and not be limited to equities, debt instruments, commodities, futures contracts, real estate, other private funds, and private companies.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

CCM does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

As of December 31, 2020, the firm manages \$176,500,000 of client assets on a discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Wealth Management Services Fees

For our Wealth Management services, each client is required to execute an Investment Advisory Agreement ("Agreement") prior to the commencement of any services. Our current annual advisory fees for CCM's Wealth Management services are as follows:

Advisory Fees	
Client Assets	Annual Fee
\$1,000,000 to \$5,000,000	1.00%
Over \$5,000,000	Negotiable

CCM generally requires a minimum of \$1,000,000 in total client assets for its Wealth Management services. For purposes of calculating minimum account assets and advisory fees, we consider all of the client's accounts currently managed by CCM. Our minimum advisory fee is \$10,000. For portfolios less than \$1,000,000 you may be able to obtain comparable services elsewhere for a lower fee. CCM reserves the right to waive or accept a lower minimum account size and/or advisory fee at our discretion.

Asset-based fees are always subject to the investment advisory agreement between the client and CCM. Such fees are payable quarterly in advance and are calculated based on the market value of the account on the last business day of the previous quarter as reflected in our portfolio accounting system, which includes accrued interest and unsettled trades. Exceptions to this methodology may be granted with the consent of the both the client and the firm. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for significant contributions to a client's portfolio are prorated for the quarter in which the change occurs; no adjustments will be made for withdrawals.

To the extent a client has negotiated an asset-based fee for private fund investments, please be advised that due to delays in valuation and reporting, fees related to private investment vehicles may be charged in arrears.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. CCM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

### **A.2. Model Portfolio Fees**

CCM is paid an annual model portfolio fee, which is calculated by the unaffiliated adviser and paid quarterly in arrears, and ranges from 0.30% to 0.50% depending on the model portfolio selected for the client.

### **A.3. Recommendations of Private Investment Vehicles Fees**

Clients will be charged a fixed fee that is mutually agreed upon between the client and CCO. The fee may be subject to renegotiation given changes in the assets held in the private investment vehicle or changes in the investment strategy of the private investment vehicle. Due to delays in valuation and reporting from the issuer, fees related to private investment vehicles may be charged in arrears.

## **B. Client Payment of Fees**

CCM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

CCM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled at any time by the client, or by CCM with 30 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be promptly refunded/any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using CCM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.



Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. External Compensation for the Sale of Securities to Clients**

CCM advisory professionals are compensated primarily through fees earned pursuant to the investment advisory agreement. CCM is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

CCM does not charge performance-based fees.

CCM employees are encouraged to invest in any or all of the strategies managed by CCM. Employees may have more money allocated to one strategy over another, which may give rise to potential conflicts of interest in that CCM could be motivated to favor a strategy in which employees have larger investments. In addition, employees that invest in the CCM managed accounts do not incur all the fees charged to other clients (see Item 5 above). CCM believes that such potential conflicts of interest are mitigated by the positive alignment that results from CCM employees investing side-by-side with CCM clients as well as by safeguards imposed by CCM's Code of Ethics and various compliance policies outlined in its policies and procedures manual.

CCM does not receive any portion of these performance/incentive fees paid to the Private Funds. Please see Items 4 and 5 above and Items 8, 10, and 11 below for additional information regarding fees, affiliations, and conflicts of interest, including how CCM handles such conflicts.

## **Item 7: Types of Clients**

CCM offers its investment services to various types of clients including high-net-worth individuals, trusts, corporations, partnerships, pension and profit-sharing plans, tax exempt, and other investment advisers.

CCM generally requires a minimum of \$1,000,000 in total client assets for its Wealth Management services. For purposes of calculating minimum account assets and advisory fees, we consider all of the client's accounts currently managed by CCM. Our minimum advisory fee is \$10,000. For portfolios less than \$1,000,000 you may be able to obtain comparable services elsewhere for a lower fee. CCM reserves the right to waive or accept a lower minimum account size and/or advisory fee at our discretion.

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

### **A. Methods of Analysis and Investment Strategies**

#### **A.1. Methods of Analysis**

CCM uses fundamental, “bottom-up” analysis to evaluate each security on its own merits. Our method includes the use of historical and current financial data, annual reports, company press releases, sell-side analysts’ reports, and other sources of data. A differentiating element to CCM’s method is a focus on frequent contacts with company management, industry experts, and investor relations staff for the securities we research. We believe these contacts are invaluable to understanding the intrinsic value of the security, industry trends, and market expectations.

#### **A.2. Investment Strategies**

CCM recommends a suite of different investment strategies for our clients, based on their specific investment needs and objectives. The strategy(-ies) employed for each client account are selected by CCM investment professionals, in conjunction with the client. When determining the strategy or combination of strategies appropriate for each client, CCM considers, among other factors, (i) the client’s financial needs, (ii) the client’s tolerance for risk, (iii) the client’s overall financial situation, (iv) the need for diversification, and (v) our view on the macro-economic climate.

Our strategies go beyond traditional equity and fixed income securities and may include mutual funds, ETFs and, in some cases, private funds in order to manage risk and produce returns through a wide range of economic and investment scenarios.

Listed below is a summary of the different investment strategies that CCM currently offers.

##### **A.2.a. Equity Strategy**

The CCM Equity Strategy employs a fundamental “bottom-up” approach whereby each company is evaluated on its own merits. We focus on domestic companies across all market capitalizations. We strive for stocks we believe provide compelling return potential relative to their anticipated risks over a several-year period. When determining potential return versus risk, we incorporate multiple considerations, which typically include:

- Valuation, both absolute and relative;
- Quality of company and credibility of management team;
- Expected growth and risks to that growth;
- Level of conviction in our internal expectations;
- Potential positive or negative catalysts, such as headline risks, earnings beats/misses, and reversal in sentiment; and
- Macro factors that may have an impact on fundamental earnings.

Our investment process includes both internal due diligence and contracted third-party research. This due diligence generally includes reviews of income statements, balance sheets, cash flow, research reports/analysis, and accounting policies. We also may conduct interviews with company management, and speak to competitors, suppliers, customers and industry analysts, which occur telephonically or onsite at the company.

A critical component to this process is reliance upon the research provided by IECM. IECM's research process includes frequent contacts with companies and their investor relations and management teams, sell-side analysts and industry experts. These contacts provide insight on industry trends, company expectations and market sentiment.

The research provided by IECM is pursuant to a services agreement entered into by CCM with IECM. Research services to be provided by IECM include: (i) consulting to CCM representatives on different securities currently being reviewed by IECM as part of its typical and ordinary research (through weekly research calls or in-person meetings); (ii) participation by CCM analysts in relevant IECM research calls; (iii) company-specific general research reports and other materials upon request from CCM representatives; and (iv) standardized research reports provided by IECM to CCM for securities requested by CCM. Generally, such research reports include: source of information (e.g., research call, meeting, etc.), research analyst name, conviction level, thesis, earnings estimates, EBITDA, risk measurements, quarterly overview and outlook.

Whether a security is a candidate for further review is determined by the CCM Investment Committee. The Investment Committee meets on a weekly basis to discuss companies within CCM's investment universe. This meeting includes review of (i) potential new investments, (ii) research reports received from IECM and others, and (iii) internal research conducted by CCM and prepared by CCM's research analyst. The Investment Committee members share their internal views on current holdings, new buy candidates and the overall market, as well as discuss diversification considerations of the underlying portfolios in order to reach an investment decision. The Investment Committee is composed of the following CCM professionals: Paul Wehner and Karen Scott.

The general holding period of a security within a client's portfolio is determined on a case-by-case basis, taking into account the needs of the client and tax considerations, if applicable. Generally, the full position size for all client accounts is bought or sold over one trading session. In the case that a position is not fully transacted, we follow the partial-fill rules outlined within Item 12 of this Form ADV. During the holding period, we may add or trim the total holding to manage the account in accordance with the client's specific needs and objectives. Additional considerations include, but are not limited to, sector allocations, liquidity and tax impact.

#### **A.2.b. Yield Strategies –Fixed Income**

The Fixed Income strategy consists of an income portfolio made up of ETFs, mutual funds, individual yield-oriented securities, or investment grade individual bonds. We consider macro-economic factors and client specific needs and goals to determine the type of securities (fixed

income, funds, etc.) and the characteristics of those securities, such as yield, maturity, duration, and credit quality, which will be utilized in each client's account.

#### **A.2.c. Yield Strategies –Enhanced and Opportunistic Income**

The Enhanced Income portfolio is intended to serve as a complement to a traditional fixed income portfolio and will generally comprise a portfolio of 10-15 individual securities, selected both for their current yield and growth characteristics, as well as potential diversification benefits from core fixed income. These diversification benefits may include reduced interest rate risk through lower duration, and lower expected correlation to the relevant fixed income indices. Examples of the types of securities that may be incorporated into this portfolio could include business development companies, REITS, including mortgage REITS, closed-end funds, royalty trusts, infrastructure funds, alternative asset managers, convertible securities, and master limited partnerships.

The Opportunistic Income sleeve is similarly intended to add diversification to a core bond portfolio, and generally will include allocations to outside third party-managed mutual funds, ETFs or private investment vehicles that are engaged in a variety of non-traditional fixed income strategies. These managers will typically dynamically manage their portfolios in a manner designed to capitalize upon some differentiated view on the overall fixed income market, whether it be interest rate direction, credit quality, structural inefficiencies, or temporary dislocations. Strategies employed by these managers might include high yield bonds, emerging market corporate and sovereign debt, structured credit (e.g., CLOs and mortgage-backed securities), preferred securities, REITs and other income-oriented equities.

REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings might give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

#### **A.2.d. Liquid Alternatives**

The Liquid Alternatives component of the CCM model includes a variety of nontraditional investment strategies available through ETFs or mutual fund structures which are intended to provide additional diversification benefits to a client's overall portfolio. These securities are selected for their ability to provide returns that tend to be less correlated to the equity and fixed income market, while still providing for a positive return in excess of the prevailing risk-free rate. CCM believes that the utilization of such strategies has the potential to improve the risk-adjusted returns of a diversified client portfolio. Examples of such securities and strategies might include merger arbitrage, managed futures, global macro, event-driven, long/short and market neutral equity, as well as multi-strategy/manager platforms.

#### **A.2.e. Private Investment Vehicles**

There are times when CCM will recommend to certain clients that a portion of their managed assets be invested in one or more private investments. These include, without limitation, unaffiliated hedge funds, real estate funds, limited partnerships, and other types of private pooled investment vehicles (collectively "Private Funds"). The Private Funds' underlying investments will depend on the type of fund and can include (and not be limited to) equities, debt instruments, commodities, futures contracts, real estate, other private funds, and private companies.

When determining which clients should receive a recommendation to invest in Private Funds, CCM will consider a number of factors, including but not limited to a client's sophistication, risk tolerances and qualifications, investment objectives, the amount of available assets in the client's account(s), and the amount of available external assets held by the client.

#### **A.3. Material Risks of Investment Instruments**

CCM generally effects transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Municipal securities
- Private placements
- Government and agency mortgage-backed securities

##### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

##### **A.3.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.3.c. Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. CCM will purchase ETFs for client accounts to gain exposure to a portion of the U.S. or foreign market.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **A.3.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **A.3.e. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **A.3.f. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business or require additional capital to



complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.3.g. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although CCM, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, CCM will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So, if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit

additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although CCM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

CCM as part of its investment strategy may employ the following option strategies:

- Covered call writing

### **B.3.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

## C. Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to engaging CCM to perform investment advisory services, a client should carefully consider: (i) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five (5) years, (ii) that volatility from investing in the stock market can occur, and (iii) that over time the client's assets may fluctuate and at any time be worth more or less than the amount invested. It is also very important that clients consider the conflicts of interest disclosed throughout this brochure, which also bears on risk.

Additional risks of loss a client should be aware of include, but are not limited, to the following:

- *Interest-Rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Political and Legislative Risks:* Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning and with significant impact, this is especially true for companies operating outside of the United States or that conduct a portion of their business outside of the United States.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others un-systemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if there is an active market for the asset. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

- *Credit Risk*: The risk that principal and/or interest on a fixed income investment will not be paid in a timely manner or in full due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.
- *Reinvestment Risk*: The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- *Call Risk*: The risk that a bond will be called by its issuer. A callable bond has a provision that allows the issuer to purchase the bond back from the bondholders at a predetermined price. Generally, issuers call bonds when prevailing rates are lower than the cost of the outstanding bond. Call provisions allow an issuer to retire high-rate bonds on a predefined call schedule.
- *Prepayment Risk*: Some types of bonds are subject to prepayment risk. Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds. Prepayment risk is particularly prevalent in the mortgage-backed bond market, where a drop in interest rates can trigger a refinancing wave. When investors in a bond comprised of the underlying pool of There is no guarantee that any CCM strategy will achieve its investment objective, and past performance of investments is no guarantee of future results. Therefore, prior to entering into an agreement with CCM, a client should carefully consider all financial and timing risks.

CCM's task of identifying and evaluating investment opportunities, managing such investments and realizing returns for its investors is uncertain. There is no assurance that we will be able to invest capital on attractive terms or generate positive returns.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither CCM, nor any of our management persons, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### **B. Futures or Commodity Registration**

Neither CCM, nor any of our management persons, are registered or have an application pending to register as a futures commission merchant, commodity trader or commodity advisor.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

In addition to his capacities at CCM, Mark Coe also is the owner and Managing Member of IECM that serves as the investment manager to the Intrinsic Edge Funds (which are separate limited partnerships) and owner and Managing Member of Intrinsic Holdings, LLC (which serves as the Intrinsic Edge Funds' General Partner). Although CCM does not directly receive any portion of the performance fee, Mr. Coe may benefit indirectly, since the General Partner of the Intrinsic Edge Funds is commonly owned.

Consequently, for any CCM clients who make either a new investment or additional contribution to an Intrinsic Edge Fund will result in additional remuneration to Mr. Coe in his capacity of owner and Managing Member of Intrinsic Holdings, LLC and IECM. Due to this incentive, Mr. Coe has a conflict of interest. In order to mitigate this conflict, Mr. Coe is not a member of CCM's investment committee, nor is he involved in CCM's day-to-day activities.

In addition, because of IECM's, Intrinsic Edge Funds' and Intrinsic Holdings, LLC's respective fee structures, Mr. Coe receives economic benefits when CCM clients have assets invested in the Intrinsic Edge Funds. This benefit creates a conflict of interest as it could incentivize the Investment Committee to recommend the Intrinsic Edge Funds to CCM clients in place of a non-affiliated Private Fund with the same overall investment objectives and risks. In order to mitigate this conflict, CCM has established the following policies: (i) Investment Committee Members will not receive any form of compensation for recommending that a CCM client make an investment or capital contribution into the Intrinsic Edge Funds; (ii) CCM investment adviser representatives will only suggest that qualified CCM clients for which the Intrinsic Edge Funds are suitable speak with representatives of IECM and will not directly speak to the attributes of the Intrinsic Edge Funds unless directly asked by a CCM client; (iii) CCM will perform periodic due diligence on the Intrinsic Edge Funds, which will be reviewed by the Investment Committee; (iv) CCM will consider Intrinsic Edge Fund assets as part of the client's overall asset allocation and make recommendations only based on what CCM believes to be in the best interest of that client; and (v) CCM will exclude Intrinsic Edge Funds in its assets under management calculation for client advisory fees.. CCM and its Investment Committee endeavor at all times to put the interests of CCM clients first, and investment recommendations will only be made when

reasonably believed to be in the best interests of the client. Clients are not required to invest in any Private Funds recommended by CCM, including the Intrinsic Edge Funds.

In addition, Coe Capital has a consulting agreement in effect with IECM for securities research. IECM is an affiliate of Coe Capital and therefore such relationship has the potential to influence Coe Capital to make investment decisions on behalf of its clients that support activities IECM is conducting for its clients. Although we believe this arrangement benefits CCM's clients, clients should be aware of this conflict.

Additionally, as described in Item 4, CCM provided sub-advisory services to clients of an unaffiliated adviser. One of the Investment Advisor Representatives of the unaffiliated adviser is the brother of CCM's Founder, Mark Coe. This relationship creates a conflict of interest and could be perceived to incentivize CCM to provide preferential treatment to these clients. To address this potential conflict, CCM has written policies and procedures covering investment and trade allocations, best execution, and soft dollars. In addition, CCM's Chief Compliance Officer ("CCO") performs periodic reviews of the firm's trading and allocation practices to help ensure all clients are treated fairly. Please refer to Item 12 below for detailed information on CCM's trading and brokerage practices.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

CCM does not currently engage advisers, investment managers, or other service providers that it recommends to clients.

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

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

In accordance with the Advisers Act, CCM has adopted policies and procedures designed to detect and prevent insider trading. In addition, CCM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of CCM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CCM. CCM will send clients a copy of its Code of Ethics upon written request.

CCM has policies and procedures in place to ensure that the interests of its clients are given preference over those of CCM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CCM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory).

Neither CCM nor any of our related persons act as general partner in a partnership in which clients are solicited to invest, with the exception of Mark Coe, who is the Managing Member of Intrinsic Holdings, LLC, the general partner to the Intrinsic Edge Funds; (see Item 10 above for important information related to conflicts of interest).

Based upon a client's stated objectives, CCM does, under certain circumstances, recommend the purchase or sale of securities in which CCM or its affiliates have also invested in personally, including certain Private Funds and the Intrinsic Edge Funds. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. This creates a conflict of interest. There also are times when CCM access persons will buy and sell certain securities for their own accounts based on personal investment considerations, which CCM does not deem appropriate to buy or sell for clients. Importantly, as part of CCM's fiduciary duty to clients, the Firm and our supervised persons will endeavor at all times to put the interests of CCM clients first and at all times are required to adhere to the Firm's Code of Ethics.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

CCM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or



sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CCM specifically prohibits. CCM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CCM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CCM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CCM clients. CCM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of CCM to place the clients' interests above those of CCM and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

CCM may recommend that clients establish brokerage accounts with Fidelity Investments ("Fidelity" or "custodian"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although CCM may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. CCM is independently owned and operated and not affiliated with custodian. For CCM client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

CCM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by CCM, CCM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by CCM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

CCM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Soft Dollar Arrangements**

As a result of the firm's recommendation to clients to custody assets with a specific custodian, the firm is deemed to be in receipt of soft dollar benefits from said custodian. These soft-dollar benefits are in the form of institutional trading and custody services, other products and services, and additional compensation received from custodians. Please refer to the following Items A.1.d. through A.1.f. for disclosure of such benefits.

#### **A.1.c. Institutional Trading and Custody Services**

The custodian provides CCM with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.d. Other Products and Services**

Custodian also makes available to CCM other products and services that benefit CCM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of CCM's accounts, including accounts not maintained at custodian. The custodian may also make available to CCM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of CCM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help CCM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of CCM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, CCM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.e. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to CCM. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to CCM.

#### **A.1.f. Additional Compensation Received from Custodians**

CCM may participate in institutional customer programs sponsored by broker-dealers or custodians. CCM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between CCM's participation in such programs and the investment advice it gives to its clients, although CCM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving CCM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to CCM by third-party vendors

The custodian may also pay for business consulting and professional services received by CCM's related persons and may pay or reimburse expenses (including client transition

expenses, travel, lodging, meals and entertainment expenses for CCM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit CCM but may not benefit its client accounts. These products or services may assist CCM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help CCM manage and further develop its business enterprise. The benefits received by CCM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

CCM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require CCM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, CCM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by CCM's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for CCM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, CCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CCM's recommendation of broker-dealers for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

CCM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. CCM Recommendations**

CCM typically recommends Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct CCM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage CCM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. CCM loses the ability to aggregate trades with other CCM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

CCM may recommend that clients establish brokerage accounts with Fidelity, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. Fidelity charges a "trade away" fee which is charged against the client account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients are directed to consult their current custodian for their policies and fees.

CCM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, the executing broker, and the commission rates to be paid to effect such transactions. CCM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CCM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, CCM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of CCM's knowledge, these custodians provide high-quality execution, and CCM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, CCM believes that such commission rates are competitive

within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since CCM may be managing accounts with similar investment objectives, CCM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CCM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

CCM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. CCM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

CCM's advice to certain clients and entities and the action of CCM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of CCM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CCM to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if CCM believes that a larger size block trade would lead to best overall price for the security being transacted.

## **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

CCM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if CCM determines that such arrangements are no longer in the best interest of its clients.

#### **B.5. Investment Opportunities in Private Funds**

CCM, from time to time, recommends investments in Private Funds to certain qualifying clients. Such investments are available only to a limited number of sophisticated investors who meet the definitions of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and/or "qualified client" under the Investment Advisers Act of 1940. Additionally, Private Funds are considered "limited offerings," since they only accept a limited amount of funds for investment. When determining which CCM clients should receive a recommendation to invest in a Private Fund, CCM considers a number of factors, including but not limited to a client's sophistication, risk tolerances and qualifications, investment objectives, and the amount of available assets in client accounts. Not all qualifying clients will receive an investment recommendation to invest in a Private Fund.

As outlined in Item 11 above, there are times when CCM supervised persons invest in certain Private Funds that are recommended to clients. When this occurs, a conflict exists. To address the conflict, supervised persons are required to receive prior written approval by the CCO for all personal Private Fund investments prior to investing. It is important that qualifying clients receiving a recommendation to invest in a Private Fund read the offering or private placement memorandum prior to investing to understand fully the risks and conflicts pertaining to the Private Fund.



## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by Paul Wehner, Managing Director and/or Karen Scott, Director of Client Relations. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

### **B. Review of Client Accounts on Non-Periodic Basis**

CCM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how CCM formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

CCM, as mutually agreed upon with the client and the firm, will report to the client on an annual basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by CCM.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), CCM does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

CCM may enter into agreements with solicitors who will refer prospective advisory clients to CCM in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with CCM. The solicitor must provide the client with a disclosure document describing the fees it receives from CCM, whether those fees represent an increase in fees that CCM would otherwise charge the client, and whether an affiliation exists between CCM and the solicitor.

## Item 15: Custody

CCM is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to CCM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, CCM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, CCM may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## Item 17: Voting Client Securities

CCM does not take discretion with respect to voting proxies on behalf of its clients. If requested by the client, CCM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of CCM supervised and/or managed assets. In no event will CCM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, CCM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. CCM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. CCM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, CCM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where CCM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CCM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

CCM does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.