

# Capital Investment Management, Inc.

## **Brochure Dated 03/15/2022**

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**This brochure provides information about the qualifications and business practices of Capital Investment Management, Inc. If you have any questions about the contents of this brochure, please contact us at (816) 246-1212 or [troy@cimadvisors.com](mailto:troy@cimadvisors.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.**

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

**References herein to Capital Investment Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2            Material Changes**

Below are the material changes since the last annual updating amendment of Capital Investment Management, Inc. on 03/18/2021. Material changes relate to Capital Investment Management, Inc.'s policies, practices or conflicts of interests only.

- Item 5: CAAP® and UMA Program fees and Cambridge Managed Account Platform (CMAP) fees have been updated.
- Item 4: Capital Investment Management, Inc. has added the DOL Written Acknowledgement of Fiduciary Status.

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#### **Item 4            Advisory Business**

- A. Capital Investment Management, Inc. (“Registrant”) is a corporation formed on April 16, 1998 in the State of Missouri. The Registrant became registered as an Investment Adviser Firm in June 1998. The Registrant is owned by David M. Garrison, Troy R. Schuster, and Matthew T. Shull. Mr. Schuster is the Registrant’s President.
  
- B. As discussed below, the Registrant offers to its clients (individuals, trusts, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. The Registrant provides investment advisory services through a number of programs as set forth below.

#### **ASSET MANAGEMENT**

#### **Co-Advisory Services**

##### **WealthPort**

Capital Investment Management (CIM) participates, under a co-advisory relationship with Cambridge Investment Research Advisors, Inc. (CIRA), in fee-based services sponsored through CIRA’s WealthPort Wrap Programs. The wrap fee programs charge an inclusive fee, covering custodial, brokerage, and investment advisory services. WealthPort Wrap Programs encompass the Cambridge Asset Allocation Platform (CAAP®) and Unified Managed Account. A full and complete description of each Program is provided in the WealthPort Wrap Brochure. All investors participating in WealthPort Programs will be provided with and should review the WealthPort Wrap Brochure prior to investing.

##### **CAAP®**

The CAAP® program is a discretionary portfolio management solution offering access to multiple individual portfolio strategists. Each strategist offers a unique approach to investing and may offer multiple model portfolios. CIM IARs work with clients to identify an appropriate strategist(s) and model portfolio(s) based on individual circumstances, investment objectives, risk tolerance, and time horizon. Clients are provided an Investment Policy Statement (IPS) which confirms the selected strategist(s) and model portfolio(s), as well as the investment objective and time horizon.

The IAR will meet with the client at least annually to review personal circumstances and investment objectives and confirm the appropriateness of the strategist(s) employed and model portfolio(s) utilized. CAAP® strategists are not affiliated with CIM or CIRA.

##### **Unified Managed Account**

A Unified Managed Account (“UMA”) offers you the ability to select multiple CAAP® strategies in one account. The UMA holds the investments recommended by each selected Strategist in a

separate sleeve. Utilizing the proposal generation tools, the CIM IAR customizes the asset allocation models for you or alternatively, selects proposed asset allocations for types of investments fitting your profile and investment goals. CIM IARs then further customizes your portfolio by selecting the specific underlying investment strategies or investments in the portfolio to meet your needs.

### **Cambridge Managed Account Platform (CMAP)**

Through the Cambridge Managed Account Platform (“CMAP”) CIM IARs will be responsible for determining investment recommendations and implementing transactions. The CIM IAR shall manage your account(s) in accordance with your individual needs, objectives and risk tolerance. These accounts are managed on either a discretionary trading basis or non-discretionary trading basis as agreed to by you and the CIM IAR. In order to have trading authorization on your account(s) the CIM IAR must be granted limited power of attorney over the account(s).

The Cambridge Managed Account Platform (CMAP) is a flexible, low cost, advisor representative driven and controlled platform. CMAP allows rep-advisors to use a broad array of investment products, including individual general securities, load funds at NAV, no-load funds, bonds, etc.

Cambridge rep-advisors can choose between two clearing firms: National Financial Services LLC (NFS), a Fidelity Investments® company, and Pershing LLC, an affiliate of the Bank of New York Mellon. Both are members of FINRA/SIPC.

## **FINANCIAL PLANNING AND CONSULTING SERVICES**

Generally, there is no extra charge to the fee-based clients of CIM for planning services. In addition, the Registrant’s representatives may implement securities transactions and/or insurance products for the client and earn commissions in their individual capacities as registered representatives of *Cambridge*.

The Registrant’s representatives will gather information through interviews with the client on pertinent topics that may include: current financial status, assets and investments, current and future employment, future goals, attitudes toward risk, income needs, projected rates of return, inflation assumptions, social security assumptions, pension projections, inheritances, income distribution projections, dependent needs, estate topics, long term care planning, insurance planning, etc. Written plans may include any or all these topic areas. (See Written Retirement Plans)

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting service on a stand-alone separate fee basis. Registrant provides financial planning and/or consulting service through written retirement plans and hourly consultations as follows:

The Registrant’s representatives will gather information through interviews with the client on pertinent topics that may include: current financial status, assets and investments, current and future employment, future goals, attitudes toward risk, income needs, projected rates of return, inflation assumptions, social security assumptions, pension projections, inheritances, income distribution projections, dependent needs, estate topics, long term

care planning, insurance planning, etc.

### **Written Retirement Plans**

Clients contracting for written retirement plans will receive a written plan prepared by the Registrant's representatives. Retirement planning can include, but is not limited to, the following areas:

- Retirement Planning and Projections
- Retirement Feasibility Reports
- Retirement Income Distribution
- IRC Rule 72t Calculations
- Investment Portfolio Analysis
- Life Insurance Needs
- Long Term Care Needs
- Educational Planning

### **Hourly Consultations**

In some cases, clients may choose to contract with the Registrant for hourly consultations or planning for a flat fee. These consultations will focus on various areas of concern to the client including, but not limited to:

- Investment decisions and strategies
- Retirement planning
- Long term care planning strategies
- Social Security planning
- Employee benefits
- Insurance planning
- Annuities
- College planning
- Inheritances

Registrant's planning and consulting fees are negotiable, but generally are \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). A flat fee for written plans or planning services may also be an option. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosure at Item 10 C.1 and 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, eldercare planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

- For households above \$500,000 in AUM. The Annual Advisor's fee includes Tax Planning and Preparation in conjunction with Capital Tax and Consulting.
- For households above \$1,000,000 in AUM qualify for a Living Trust, Will(s) or Power of Attorney documents by the Trust and Will Center or an approved Estate planning firm.
- No credit is due if client does not use these services.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Please Note (Wrap/Managed Account programs).** In the event that Registrant is engaged to provide investment management services as part of a wrap program not sponsored by the Registrant, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be affected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Written Acknowledgement of Fiduciary Status**

When The Registrant provides investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. **Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 2021, the Registrant had \$348,970,802 in assets under management on a discretionary basis, and \$44,672,403 in assets under management on a non-discretionary basis.



## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. These fees are negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Lower fees for comparable services may be available from other sources.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide discretionary investment advisory services on a *fee* basis, the Registrant's annual investment advisory fee shall be as set forth below.

## **ASSET MANAGEMENT**

### **Investment Management Services**

#### **Co-Advisory Platforms**

##### **WealthPort**

Fees for participating in WealthPort ("Account Fees") are billed as an inclusive fee, otherwise known as a wrap fee, by CIRA on behalf CIM IAR providing services under the WealthPort Program. The Account Fee is an annualized fee that is payable on a monthly or quarterly basis and is comprised of the WealthPort Program Fee, CIM IAR Fee, and Strategist Fee (when applicable). The Account Fee does not include miscellaneous or ancillary fees or charges by the Custodian for services not included under the Program Fee such as, but not limited to, wiring fees, dealer mark-ups, electronic fund and wire transfers, and exchange fees. Additional details regarding the fees that are charged to your account follow:

CAAP® and UMA Program Fee – These program fees are calculated based on the total account value, including cash balances in a Federal Deposit Insured Corporation insured multi bank program and are subject to an annual minimum program fee of \$250 per account. Minimum program fees are expressed in annual amounts but are determined and assessed based on the account asset value at the beginning of each month or quarter. For example, if an account has a \$250 minimum annual account program fee it will be assessed a minimum of \$62.50 every quarter. Therefore, if an account has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for the account to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the account's average balance for the entire year would have placed it above the minimum asset value threshold.

Financial Professional Fee – This fee is the amount charged by Capital Investment Management for providing you with investment advisory and related services under WealthPort and is evidenced in the WealthPort Client Agreement. The following is a sample fee schedule provided for illustrative purposes.

0 – 500,000 = 1.25%  
500,000 – 1,000,000 = 1.10%  
1,000,000. – 2,000,000 = 1.0%  
2,000,000 – 3,000,000 = 0.90%  
3,000,000 – 5,000,000 = 0.80%  
5,000,000 and above negotiable.

We calculate our management fee against all assets in the investment account, unless specifically excluded. Fee calculations include cash balances invested in money market funds, short-term investment funds, ETFs, mutual

funds, alternative investments (if any), and all other investment holdings. The exact services and fees will be agreed upon and disclosed in the agreement for services prior to services being provided. Fees and how they are charged may be negotiated based on factors such as the client's financial situation and circumstances, the amount of assets under management, and the overall complexity of the services provided. We consider cash to be an asset class, and as a result - we include it in our fee calculation, regardless of our fee model. At times, our fee will exceed the money market yield.

**Strategist Fee (if applicable)** – These fees are evidenced in the WealthPort Agreement. CAAP® and UMA Strategist fees are billed or debited monthly or quarterly in advance or arrears pursuant to each investment strategist's fee schedule. If a CAAP® or UMA account is established on a date other than the last day of the month or quarter, the Strategist Fee is prorated for the remainder of the billing period. Subsequent Strategist Fees are due and debited at the beginning of each billing period. A Strategist can, in their sole discretion, change the Strategist Fee without prior notice to you. Your Capital Investment Management IAR will discuss with you, if or when a change in a Strategist Fee will apply to your accounts.

**For more information, please refer to the WealthPort Wrap Brochure.**

**Setup Fee (if applicable)** – If your CIM IAR is providing you with supplementary or other client-related services when you are opening your WealthPort account(s), a one-time Setup Fee can be charged in addition to the Account Fee. The Setup Fee is agreed upon and indicated on the WealthPort Agreement and is generally the lesser of one percent (1%) of assets under management or \$1,000. The combined Setup Fee and Account Fee will not exceed three percent (3%) of assets under management

### ***Cambridge Managed Account Platform (CMAP)***

**Financial Professional Fee** – This fee is the amount charged by Capital Investment Management for providing you with investment advisory and related services under WealthPort and is evidenced in the WealthPort Client Agreement. The following is a sample fee schedule provided for illustrative purposes.

0 – 500,000= 1.32%

500,000 – 1,000,000 = 1.17%

1,000,000. – 2,000,000= 1.07%

2,000,000 – 3,000,000= 0.97%

3,000,000 – 5,000,000= 0.87%

5,000,000 and above negotiable.

We calculate our management fee against all assets in the investment account, unless specifically excluded. Fee calculations include cash balances invested in money market funds, short-term investment funds, ETFs, mutual funds, alternative investments (if any), and all other investment holdings. The exact services and fees will be agreed upon and disclosed in the agreement for services prior to services being provided. Fees and how they are charged may be negotiated based on factors such as the client's financial situation and circumstances, the amount of assets under management, and the overall complexity of the services provided. Fee calculation and debiting is included in the program fee. Management fees are billed monthly or quarterly in advance or arrears based on the ending value on the last business day of the prior month or quarter. All fees and payment options including the refund policy which pays back unearned fees based a pro rata number of days under management, are described and indicated in the CMAP account paperwork. Refunds for fees paid in advance will be returned promptly to the client via check or return deposit back into the client's account.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally are \$300 on an hourly

rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Fixed fees range between \$495 and \$1495.

- A. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Managed Opportunities Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees monthly or quarterly in advance or arrears, based upon the market value of the assets on the last business day of the previous month or quarter.
- B. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that registrant may receive from managers or another broker-dealer/custodian. Broker-dealers such as these charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). If the Registrant is engaged to provide investment advisory services on a non-wrap fee basis, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- C. Registrant's annual investment advisory fee shall be prorated and paid monthly or quarterly, in advance or arrears, based upon the market value of the assets on the last business day of the previous month or quarter. The Registrant requires a minimum asset level of \$5,000 to participate in the CAAP platform. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement (in conjunction with the *WealthPort Platform* (where applicable)) based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing month or quarter. Refunds for fees paid in advance will be returned promptly to the client via check or return deposit back into the client's account.

- D. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as registered representatives of *Cambridge*, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Cambridge*, *Cambridge* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Cambridge* shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by *Cambridge* may be higher or lower than those charged by other broker-dealers. In addition, *Cambridge*, as well as Registrant's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Cambridge* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Troy R. Schuster, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, trusts, estates and charitable organizations. The Registrant requires a minimum asset level of \$5,000 to establish and maintain a WealthPort CAAP® *Account*. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement (in conjunction with the WealthPort CAAP® *Account* (where applicable) based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
  - **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds, managed accounts and/or exchange traded funds, on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. **Registered Representative of Cambridge Investment Research, Inc.** As disclosed above in Item 5.E, Registrant's representatives are also registered representatives of *Cambridge*, an SEC registered and FINRA member broker-dealer.

- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Some of Capital Investment Management's Advisor Representatives have entered into an Equity Participation Plan ("EPP") with Cambridge. The EPP Program is a stock appreciation rights program. Once a participant's EPP's units are vested and the years of service requirement is met the participant has a right to the appreciation in value of the same number of shares of Cambridge Investment Group Stock as he/she holds in vested EPP's Units. Capital Investment Management's Advisor Representatives are not owners or officers of Cambridge. However, Capital Investment Management's Advisor Representatives are eligible to participate in the EPP due to their affiliation as Registered Representatives of Cambridge. This arrangement between these particular Capital Investment Management's Advisor Representatives and Cambridge is a potential conflict of interest between CIRA and its clients in that it may inhibit Capital Investment Management's independent judgment concerning the best execution services offered by Cambridge and its clearing broker-dealers.

C.

1. **Broker Dealer.** As disclosed above in Item 5.E, Registrant's representatives are registered representatives of *Cambridge*, an SEC registered and FINRA member broker-dealer. Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

2. **Licensed Insurance Agents.** Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage Registrant's representatives to purchase insurance products on a commission basis.

- **Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents or broker-dealers. **The Registrant's Chief Compliance Officer, Troy R. Schuster, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. If the Registrant refers a client to certain *Independent Manager[s]*, where the Registrant's compensation is included in the advisory fee charged by such *Independent Manager[s]* and the client engages those *Independent Manager[s]*, the Registrant may be compensated for its services by receipt of a fee to be paid directly by the *Independent Manager[s]* to the Registrant in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the *Independent Manager[s]* investment management fee or the wrap program fee (as appropriate) and shall not result in any additional charge to the client.

- E. MRH Holdings LLC: MRH Holdings LLC is a company independent of CIM but also owned

by David Garrison and Troy Schuster. MRH Holdings LLC has majority ownership in Capital Tax and Consulting LLC and may present a potential conflict of interest if it is recommended to clients of Capital Investment Management, Inc.

Capital Tax and Consulting LLC (CTC): Capital Tax and Consulting LLC is an independent company which primarily concentrates on tax, accounting and consulting work. It is owned by Jennifer Gordon, CPA and MRH Holdings LLC. CIM may compensate CTC for consulting and tax services for clients of CIM. Capital Tax and Consulting LLC and may present a potential conflict of interest if it is recommended to clients of Capital Investment Management, Inc. CTC is independent of CIM and does not participate in any Advisory services or investment management services. Clients are not required to participate in services offered by CTC.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *National Financial Services (NFS)*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *NFS* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from managers or another broker-dealer/custodian without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.



As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts.

Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained with managers another broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by the Registrant to managers or another broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Troy R. Schuster, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Troy R. Schuster, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional

compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on another than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

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

- A. *As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from managers or another broker-dealer/custodian. The Registrant, without cost (and/or at a discount), may receive support services and/or products from managers or another broker-dealer/custodian.*

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *NFS or Cambridge* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *NFS or Cambridge* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Troy R. Schuster, and remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a monthly or quarterly-basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

**Please Note:** To the extent that the Registrant provides clients with periodic account

statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

#### **Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

#### **Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

#### **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Capital Investment Management's Chief Compliance Officer, Troy R. Schuster, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**