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# **Part 2A Appendix 1 of Form ADV: *Wrap Fee Brochure***

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This wrap fee program brochure provides information about the qualifications and business practices of Capital Asset Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at (517) 339-7662 or at [kene@wealth-advisor.biz](mailto:kene@wealth-advisor.biz). 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 Asset Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Capital Asset Advisory Services, LLC is 110929. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training.

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## Item 2. Summary of Material Changes

We have made no material changes to this Form ADV Part 2A Appendix 1 Wrap Fee Brochure since it was filed with the SEC in March 2020.

We will make sure that Clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide the Client with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting our Chief Compliance Officer ("CCO") 517-339-7662.

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## Item 4. Services, Fees and Compensation

Capital Asset Advisory Services, LLC is an SEC-registered investment adviser with its principal place of business located in Michigan. Capital Asset Advisory Services, LLC. (“CAAS”) began conducting business in 2004.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

Anthony Joseph Mazzali, Managing Member

We offer our Clients a package of supervisory investment management discretionary and non-discretionary advisory services that includes brokerage, custody, financial planning, administration, fee billing, and reporting, where Client assets are held at unaffiliated qualified banking institutions established through direct Client negotiated arrangements with the banking institution. Portfolio management is provided through a Client selected model of predetermined investments designed to meet our Clients’ financial plan investment objectives and needs. All models are constructed, managed, and maintained by CAAS, including separately customized models constructed by Investment Advisor Representatives (“IARs”) for Clients who do not select one of the standard CAAS constructed models more fully described below. We maintain and monitor all models on our systems, software, and technology, some of which is provided to us, in part, from custodians where Client assets are held. We use this technology to deliver a total package of investment advisory and related services to our Clients, collectively referred to as the Managed Client Account Platform (“MCAP” or the “Platform”).

Our fees for Platform services include an advisory fee for continuous portfolio management and implementation of transactions and an administrative fee, as set forth in the Fees section below.

### **WealthMark and WealthBuilder Model Program Accounts (“Program Accounts”)**

We assist our Clients in determining investment goals and objectives, risk tolerance, and retirement plan time horizon, using tools such as a financial plan or investment policy statement. Based on this information, we create an initial portfolio allocation designed to complement a Client’s educational, home ownership, and retirement goals and objectives. We also recommend investing in more than one of our model portfolios if suitable, depending on risk threshold and other factors mentioned immediately above.

The WealthMark Program Accounts consist of the WealthMark and WealthBuilder models (the “Account”), which are discretionary advisory accounts. This means that the Client authorizes the Adviser to buy, sell, or otherwise trade securities or other investments in the Account without discussing the transactions with the Client in advance. The model securities are limited to open-end mutual funds and exchange-traded funds (“ETFs”). Securities selection in WealthMark program allocations fall into two groups. Portfolios including positions with higher minimum investment requirements are called “WealthMark Portfolios”; Portfolios with lower minimum investments are called “WealthBuilder Portfolios.”

Clients have the option to select from among the following risk adjusted Program Accounts depending on client risk tolerance:

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*Wealthbuilder Conservative • Wealthbuilder Moderate Conservative • Wealthbuilder Moderate • Wealthbuilder Moderate Aggressive • Wealthbuilder Aggressive • WealthMark Conservative • WealthMark Moderate Conservative • WealthMark Moderate • WealthMark Moderate Aggressive • WealthMark Aggressive • WealthMark Income Only • WealthMark Income with Growth • WealthMark Michigan Municipal Income • WealthMark Missouri Municipal Income • WealthMark Municipal Income • WealthMark NonQualified Moderate Conservative • WealthMark NonQualified Moderate • WealthMark NonQualified Moderate Aggressive*

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### **CAAS UMA Managed Accounts**

The CAAS UMA Program is a discretionary advisory account program (the "Account"). This means that the Client authorizes the Adviser to buy, sell, or otherwise trade securities or other investments in the Account without discussing the transactions with Client in advance. The securities are limited to individual stocks, open-end mutual funds, SMA (separately managed account) Managers in which they have discretion to select individual securities (accessed through Envestnet), and exchange-traded funds ("ETFs"). CAAS UMA Accounts are managed in accordance with one of the CAAS UMA Models described below. We generally recommend clients have \$1 million in investable assets with CAAS in order to invest in this program. Due to Manager Availability and Pricing, we access the SMA managers directly through Envestnet. An SMA Manager is a product composed of individual stocks and bonds managed by a third party investment professional who take a portion of an account (or all) and invest it to their product guidelines. We access these managers through Envestnet. The fee associated with an SMA Manager is in the form of a manager fee, which is separate from the CAAS Advisor or Admin Fee. Since the SMA Manager invests in individual securities, there are no internal expenses associated with the product, but the manager charges a separate fee instead.

Clients have the option to select from among the risk adjusted UMA Managed Accounts

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*CAAS UMA Active Conservative • CAAS UMA Active Balanced • CAAS UMA Active Growth*

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### **CAAS Enhanced Index ETF Program**

The CAAS Enhanced Index ETF Program is a discretionary advisory account program (the "Account"). This means that the Client authorizes the Adviser to buy, sell, or otherwise trade securities or other investments in the Account without discussing the transactions with the Client in advance. These models differ from the other CAAS offerings in that Hartford Funds deliver a model to CAAS at least at the beginning of each quarter (or more frequently as the market dictates) with changes in the model. The accounts are open on Envestnet without an account minimum and

are composed strictly of Hartford ETFs. We offer six models spanning across the five risk tolerance ranges. CAAS is responsible for the investing and rebalancing of these portfolios, and the Investment Policy Committee monitors these positions to reasonably ensure they remain an appropriate fit for CAAS clients. CAAS does not receive any monetary benefit from utilizing these Hartford portfolios, and does not participate in any revenue sharing with Hartford.

### **Advisor as Portfolio Manager Accounts (“APM”)**

For a customized portfolio different than those offered in the WealthMark, WealthBuilder, or CAAS UMA programs, we provide APM models, in which one of our Investment Adviser Representatives (“IARs”) will individually manage the Client’s account. These accounts include individual non-investment vehicle listed securities as well as mutual funds and ETFs, and in suitable circumstances, Fee Based Annuities available through TD Ameritrade. The Client’s IAR at times will recommend the use of Level One (covered) option writing if the IAR believes it is appropriate for the Client’s needs and is consistent with the Client’s tolerance for risk. This investment strategy is described in Item 6 of this Brochure.

The Client account can be managed on a discretionary or a non-discretionary basis. In a discretionary account, we will place trades in the Client account without calling the Client to obtain permission for the specific trades. In a nondiscretionary account, we call to obtain consent for each transaction before we place it with an unaffiliated broker for execution. The investment strategies and securities selections for APM accounts are model driven strategies with investments determined by the Client and the IAR managing the account. Investments selected often differs among similarly managed accounts since client needs and requirements are generally different from each other.

CAAS has also entered into direct selling arrangements with a shortlist of mutual fund companies that allow IARs and Clients the opportunity to invest in mutual funds directly with that company. CAAS does not collect an administration fee through this arrangement. Typically, Clients are charged an advisor fee and are responsible for the fees charged directly by the product company. CAAS does not receive any monetary payment from these companies, and does not participate in any revenue sharing with the direct companies.

### **Retirement Plan Services**

We provide discretionary and non-discretionary investment advisory services to companies sponsoring 401(k) and 403(b) plans. This service is a subset of our APM program. We work with plan trustees to recommend and periodically review investment selections to be made available in these plans. We also work with plan trustees to review the costs and services of the record-keeper and Third Party Administrator (TPA) by benchmarking the plans with other providers. We also provide education to plan participants on a range of topics to help increase the health of the retirement plan and the outcomes of participants.

Trustees of 401(k) plans select one or more portfolios we manage as investment options for their participants. 403(b) trustees provide an option under which plan participants engage us for personalized investment advice concerning the participants’ sub-accounts. In both situations, the

participant can select from among several investment models based on various asset classes. We then instruct the Record-keeper to create a model using the funds available in the plan that correlate to the investment classes in the model portfolio. We communicate changes in the model portfolios to the various Record-keepers, who implement appropriate changes in the participant's holdings.

### **Additional Disclosures Regarding TD Ameritrade**

TD Ameritrade provides certain trading and operational services to CAAS at no cost, the substantial benefits of which are passed on to Clients. These services include, among others, brokerage, custodial, administrative support, record keeping, and related services that are intended to support intermediaries like the Adviser in conducting business and in serving the best interests of their Clients but that benefit CAAS in the form of administrative support, software, and systems. CAAS receives some benefits from TD Ameritrade through its participation in the Program.

We have negotiated a standard pricing model with TD Ameritrade that is favorable for our Clients based on the fact that we are not a high-volume or tactical trader. However, for accounts using a strategy that requires more active trading in APM accounts, TD Ameritrade may assess transaction charges which we do not have the ability to negotiate (See ADV 2A for more information on the non-wrap program). As disclosed above, CAAS participates in TD Ameritrade's institutional customer program and CAAS recommends TD Ameritrade to Clients for custody and brokerage services. There is no direct link between CAAS' participation in the program and the investment advice it gives to its Clients. Benefits 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 CAAS 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CAAS by third party vendors.

The benefits received by CAAS or its personnel through participation in the program does not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, CAAS endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by CAAS or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CAAS's choice of TD Ameritrade for custody and brokerage services. This potential conflict is addressed by passing through benefits received in the form of Clients receiving brokerage transactions for no commission and other execution related costs where appropriate.

CAAS and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services. Specifically, the Additional Services include financial support used to assist in paying for Envestnet. Provision of Additional Services is at TD Ameritrade's sole discretion. Provision of additional services, most

likely, takes into account the amount and profitability of assets to TD Ameritrade. TD Ameritrade retains the right to terminate the Additional Services Addendum at its sole discretion. CAAS utilizes Envestnet for several functions, including trading, proposal generation, reporting functionality, and Client advisory fee billing and collection. This arrangement is not dependent upon CAAS generating a minimum number of transactions or commissions for TD Ameritrade and is used to benefit all CAAS Clients. CAAS also receives from TD Ameritrade certain additional economic benefits (listed throughout this section), known as “Additional Services”, that may or may not be offered to any other independent investment advisors participating in the program.

CAAS’ receipt of Additional Services raises potential conflicts of interest where CAAS may have an incentive to recommend to its Clients that the assets under management by CAAS be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. CAAS’s receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including seeking best execution of trades for Client accounts. CAAS passes certain benefits to Clients through the provision of services provided and no brokerage transactions charge.

CAAS considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its Client accounts, including, but not limited to, execution capability, experience and financial stability, reputation, and the quality of services provided. CAAS performs an analysis of services provided in light of the overall costs that is compared to competitors in the industry as part of its ongoing due diligence of TD.

TD Ameritrade does not supervise CAAS and has no responsibility for CAAS’s management of Client portfolios or CAAS’s other advice or services.

Certain members of CAAS serve on the TD Ameritrade Institutional Client Experience Panel (“Panel”). The Panel consists of approximately thirty (30) independent investment advisors that advise TD Ameritrade Institutional (“TDA Institutional”) on issues relevant to the independent advisor community. The Panel meets in person three times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for three-year terms by TDA Institutional senior management.

At times, Panel members are provided confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade, Inc. (“TD Ameritrade”) does not compensate Panel members. However, TD Ameritrade pays or reimburses Registrant for the travel, lodging, and meal expenses Registrant incurs in attending Panel meetings. The benefits received by Registrant or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant’s recommendation of TD Ameritrade for custody and brokerage services.

Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member



FINRA/SIPC (“TD Ameritrade “), an unaffiliated SEC-registered broker- dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through participation in the Program. (Please see the disclosure under Item 14 below.)

## **Fees**

### **WealthMark, WealthBuilder, and CAAS Enhanced ETF Program**

WealthMark, WealthBuilder, and CAAS Enhanced ETF Program Accounts are offered on a wrap fee basis, in which the Client will pay an annual advisory fee of up to 2.25%. All of these program Accounts pay an annual administrative fee of up to .40% of Account Billable value to cover costs associated with servicing the Client’s account (including costs for technology and miscellaneous costs associated with providing administrative services apart from investment advice, such as processing Client requests for asset transfers, disbursements, portfolio management and trading costs, compliance, and other such administrative matters.) These cost can be higher or lower depending on the type of Client and difficulty in administering the account.

These administrative services are provided by Wealth Advisory Group, an affiliate of CAAS. This presents a conflict of interest which is discussed in more detail in *Item 9- Other Financial Industry Activities and Affiliations* below.

WealthMark, WealthBuilder, and CAAS Enhanced ETF Program fees are directly debited from Client’s custodial accounts, unless billed directly via invoice.

### **CAAS UMA Program Accounts**

We offer CAAS UMA Program Accounts on a wrap fee basis, in which the Client pays an annual advisory fee of up to 2.25%. All UMA Program Accounts will pay an additional administrative fee of up to .80% to cover costs associated with servicing the Client account (including costs for technology and miscellaneous costs associated with providing administrative services apart from investment advice, such as processing Client requests for asset transfers, disbursements, portfolio management, trading costs, compliance, and other such administrative matters.) These administrative services are provided by Wealth Advisory Group, an affiliate of CAAS. This presents a conflict of interest which is discussed in more detail in *Item 9- Other Financial Industry Activities and Affiliations* below. In addition, SMA Managers also charge a quarterly manager fee for use of their SMA products on the Envestnet platform. These fees typically range between 30 to 50 basis points. This fee is paid directly from Envestnet to the SMA Manager, CAAS does not receive any portion of the SMA Manager fee.

We will directly debit the CAAS UMA Program fees from the Client’s custodial account, unless we agree to bill the Client directly via invoice.

## **Advisor As Portfolio Manager Accounts**

We offer APM Accounts on a wrap fee basis, in which the single fee the client pays includes ticket charges (unless waived by the custodian), or on a fee-only basis, in which case the Client is charged separately for ticket charges from their admin fee (Non-Wrap Program). In either case, we charge an annual advisory fee of up to 2.25% of assets under management. These Accounts will pay an additional annual administrative fee of up to 0.40% to cover costs associated with servicing the Client account (including costs for technology and miscellaneous costs associated with providing administrative services apart from investment advice, such as processing Client requests for asset transfers, disbursements, portfolio management and compliance, and other such administrative matters.) These administrative services are provided by Wealth Advisory Group, an affiliate of CAAS. This presents a conflict of interest, which is discussed in more detail in *Item 9- Other Financial Industry Activities and Affiliations* below. These fees do not include internal expenses of the underlying holdings, or non-standard asset fees assessed by the custodian. We will directly debit APM Account fees from the Client's custodial account(s), unless we agree to bill the Client directly via invoice.

Additionally, we have the ability to offer certain fee based annuity products to Clients through TD Ameritrade and other product companies that we have a current direct selling agreement with. The annuities are charged an advisor fee of up to 2.25% of assets under management, in addition to the fee from the annuity product company that has a relationship with TD Ameritrade. CAAS does not collect administration and annuity fees on these APM Accounts.

## **Retirement Plan Services**

CAAS IARs charge an advisory fee for their services in which CAAS receives a portion of. Additionally, the Third Party Administrator, in most cases, charges an administration fee for use of the platform and the costs of administering the platform. CAAS does not receive any portion of this fee, with the exception of the retirement accounts that are run through fidelity. CAAS charges up to .25% for these accounts run through Fidelity and TIAA. There are also no additional ticket charges or commissions received for these Retirement Plan Services through CAAS.

## **Additional Information about our Services and Fees**

We generally do not separately offer the services provided under the WealthMark, WealthBuilder, and CAAS UMA Programs. However, the client may be able to purchase services similar to those offered under the WealthMark, WealthBuilder, and CAAS UMA Programs from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the WealthMark, WealthBuilder, and CAAS UMA Programs, depending on the fees charged by such other service providers. Advisor fees are negotiable between the client and the advisor.

As noted above, we offer APM Accounts on a wrap fee basis, in which the fee may include ticket charges, or on a fee-only basis, in which case the client is charged separately for ticket charges. However, the client may be able to purchase similar services from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or

less than what we charge for APM Accounts, depending on the fees charged by such other service providers.

In evaluating “wrap fee” investment programs, the client should recognize that transactions are usually effected “net”, that is, without commission. A portion of the wrap fee is generally considered as being in lieu of commissions. We require that trades be executed through TD Ameritrade, so that we will not engage in the practice of similar investment advisers with larger trading volumes in securities that include general securities (i.e., non-investment vehicles, such as mutual funds) where seeking best execution by placing transactions with other custodians can be achieved. While we anticipate that TD Ameritrade will be able to obtain best execution with respect to mutual funds and ETFs, it is possible that better execution for these and other types of securities may be available through other custodians. Since mutual funds are acquired at their net asset value with no commission on behalf of our Clients, this does not raise the same type of best execution concerns that generally securities customarily represent.

The Client should also consider that, depending upon the level of the wrap fee we charge, the amount of portfolio activity in the Client account, the value of custodial and other services which are provided under the arrangement, and other factors, the “wrap fee” may or may not exceed the aggregate cost of such services if they were to be provided separately.

Our fees are separate and distinct from the fees and expenses charged by mutual funds, ETFs, and SMA Managers. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. The Client could invest in a mutual fund or and ETF directly, without our services. In that case, the Client would not receive the services provided by us which are designed, among other things, to assist the Client in determining which mutual fund or funds or ETFs are most appropriate to the Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds, SMA Managers, and ETFs and the fees charged by us to fully understand the total amount of fees the Client is to pay in order to evaluate our advisory services.

The Investment Adviser Representative recommending Wrap Fee Products to their Clients receives compensation as a result of the Client’s participation in these Programs in the form of an advisor fee, similar to the fee involved in the CAAS non-wrap products. There is no monetary incentive for IARs to recommend clients to use models constructed by CAAS over the bespoke APM models on offer.

The Client or we may terminate the agreement with CAAS within five days of the date of acceptance with no penalty. After the five-day period, either party, upon written notice to the other, may terminate the agreement. The Client will receive, where applicable, a prorated refund of any prepaid advisory fees. Such prorated refunds will be based upon actual services and termination costs incurred up to and at the time the assets transfer out of the Client’s account. Any earned, unpaid fees will be due and payable upon termination.

Mid Atlantic charges Clients a quarterly fee of .25% of their total assets in order to use their custodial services, which CAAS does not absorb.

We do not charge a performance fee for any Client account we manage.

**Mutual Fund/ETF Fees and Separate Managed Account Managers:** All fees paid to Capital Asset Advisory Services, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, separate managed account managers, and/or ETFs to their shareholders.

These fees and expenses are described in each fund's prospectus, a copy of which is provided to the Client either at the time of purchase or shortly thereafter by the custodian. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client pays a front-end load, back-end load or deferred sales charge. Any 12b-1 fee, if assessed prior to becoming a CAAS client, is not paid to or otherwise shared with CAAS. CAAS aims to select, and transition new clients with existing 12b-1 investments to, mutual funds that do not have 12b-1 fees when appropriate.

**Standard Billing Procedure:**

Capital Asset Advisory Services bills advisory accounts on a quarterly basis, in advance, meaning that the client is billed at the start of the quarter for the next three months of service. The billable value is based off of the market value on the last day of the quarter reported on Envestnet from the custodian file, which receives a file from the custodian with the previous day market values. Envestnet calculates fees on a daily accrual basis for the quarter, rather than annually then splitting the year into fourths. Additionally, Envestnet bills accounts monthly that have been set up after the quarterly billing, and bills/refunds accounts that are opened, closed, or have had significant (Over \$50,000) contributions or withdrawals during that time period.

## **Item 5. Account Requirements and Types of Clients**

We recommend a minimum amount of \$25,000 per family for WealthMark portfolios and \$12,500 per family for WealthBuilder portfolios. These minimums may be waived at our discretion, depending on size of the Client account. Client investable asset market value minimums under CAAS Management for the CAAS UMA Program Accounts is \$1 million. We do not have account minimums for APM.

The WealthMark, WealthBuilder Program, CAAS UMA Program, CAAS Enhanced ETF, and APM Accounts are available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

## **Item 6. Portfolio Manager Selection and Evaluation**

We select portfolio managers to support different types of product offerings described in this wrap brochure. At times when we are considering the inclusion of a particular investment suitable for our Clients or to support our model offerings, we also evaluate the investment manager of those products. The different types of portfolio managers we select are independent IARs of affiliated

or unaffiliated brokers/dealer FINRA member firms and investment advisory firms who serve as portfolio managers to support our proprietary Wealthmark, Wealthbuilder, CAAS Enhanced ETF, and CAAS UMA Models, that are developed, maintained, and monitored by our Investment Committee, in addition to bespoke models that are developed for Clients on a more customized basis. Committee members are selected by a number of criteria including knowledge of investments and experience in the financial industry. All portfolio managers are subject to the oversight and review of CAAS both in the manner in which they discharge their advisory services to Clients and CAAS' compliance program, as more fully described below.

Before bringing on an IAR to CAAS, we perform due diligence on each rep, including an evaluation of their investment style through personal interviews with the Chief Compliance Officer and background checks for any securities related violation and disciplinary action. We also require the completion of a Request for Proposal ("RFP") from our IARs in order to ensure that investment philosophy matches that of CAAS, when the CCO finds it necessary.

In certain circumstances, CAAS allows IARs to allocate a portion of a Client's account to other managers, as a separate account, who are available through the Envestnet platform – an unaffiliated platform providing operational services to subscribers and access to other investment advisers.

For our proprietary Wealthmark, Wealthbuilder, and CAAS UMA portfolios, our Investment Policy Sub Committees, who report to the full Investment Committee, are responsible for selecting portfolio managers of products selected for the Wealthmark Models and for the allocation of Client assets to be managed as separately managed accounts by outside portfolio managers through the CAAS UMA Model. We require an RFP from the outside portfolio managers of all proprietary models as part of our due diligence packet before approving any outside manager. Additionally, we present all of the information gathered on the outside manager and present to our Investment Policy Committee before approval. CAAS has full discretion to approve or remove any manager from both our proprietary models and the Envestnet platform.

The Investment Committee provides oversight by tracking, reviewing, and changing any managers and positions in our models that they deem necessary. Common factors that are used to measure these positions include track record performance, performance against peers, fund cost, and the funds ability to stay within their stated discipline. If any of these positions drifts out of our levels of expectations, our Investment Policy Subcommittees meet with the fund manager to evaluate all aspects of the fund, and make a decision to keep or replace based on a full view of information. The Investment Policy Sub Committees also make the decision on the appropriate weights for each asset class and position within our model portfolios.

Hartford Funds delivers six models to CAAS that make up the CAAS Enhanced ETF models. These models are composed of Hartford Funds ETFs to offer a lower cost solution to clients with lower account sizes. The Investment Policy Committee evaluates and monitors the performance and track record of the ETFs in the portfolios using the same metrics as the WealthMark, Wealthbuilder, and CAAS UMA portfolios.

We use the following standards in order to evaluate portfolio manager performance. We look at percentage rank of the specific product in its respective category for a 12-month period and 3-year

period. We also look at the pre-calculated 3-year performance returns with respect to a greater than 90% best-fit index. In evaluating the product that the portfolio manager offers, we also evaluate the manager as a whole by overall industry ranking, while also evaluating them both philosophically and by their types of investments to reasonably ensure their philosophy matches our Clients' needs and goals.

We utilize MorningStar Analytics to review our performance information and verify accuracy of numbers.

Related persons of CAAS act as portfolio managers for certain of our portfolios in a wrap fee program described in this brochure. Related persons undergo background checks and screenings as described in our policies and procedures. Conflicts of interests can arise with respect to a variety of business and other relationships in almost any investment advisory program. In order to address these conflicts of interest, we have developed RIA Compliance policies and procedures designed to monitor and prevent such matters as outside business interests, personal trading conflicts with Clients and the mishandling of Client funds, as examples. Essentially, all related persons serving as portfolio managers are Supervised Persons and employees who are subject to the full extent CAAS' compliance program, adopted to comply with the compliance program Rule 206(7)-7, under the Investment Adviser Act of 1940 (depending on where else this is mentioned, use the adopted or defined name). Upon initial Client setup, all Clients fill out an IPS used to establish their risk tolerance and suitability. Through Envestnet, we are able to monitor each accounts risks related to their overall household risk tolerance. We also monitor IAR trading in order to track trades compared to Client trades. We also screen each of our IARs before starting a relationship with CAAS, and provide periodic branch audits.

### **Advisory Business**

We offer a variety of investment advisory financial services to our Clients. Our services include General Consulting, Financial Planning Services, Portfolio Management, Retirement Plan, and 401(k) services. Under our wrap program, the Client receives supervisory investment management services delivered through both our pre-developed proprietary investment program models and non-program models ("APM Models"), custody of their assets at an unaffiliated qualified custodian, and brokerage for a single advisory fee. For non-wrap portfolio management program services, the management of the Client's portfolio is delivered through use of a bespoke APM model developed in consultation with the Client immediately prior to or at the time the Client's account is opened and would incur the same fees plus brokerage, custody, and other related fees, some of which are negotiable. As for the reporting and administrative services provided under both wrap and non-wrap programs, the Client also pays an administrative fee. The management of all Client portfolios, whether discharged in a wrap or non-wrap format, are performed through the use of our discretionary and non-discretionary customized proprietary program and bespoke non-program models.

For all investment advisory and related services described below, we tailor our products in accordance with the Client specific needs in a documented financial plan or investment policy statement. This process involves taking multiple factors into consideration, including, but not

limited to, investment horizon, risk tolerance, income requirements, as well as any reasonable guidelines and restrictions a Client may impose.

### **Performance Based Fees**

Capital Asset Advisory Services, LLC does not charge performance-based fees or engage in side-by-side management.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing Client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the Client's investment goals and risk tolerance.

A risk of asset allocation is that the Client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the Client's goals.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the

underlying investments held in another fund(s) in the Client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the Client's portfolio.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

We use the following strategy(ies) in managing Client accounts, provided that such strategy(ies) are appropriate to the needs of the Client and consistent with the Client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the Client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a Client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.



**Option writing.** We use options as an investment strategy when appropriate. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We may buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We may buy a put if we have determined that the price of the stock will fall before the option expires.

We use options to "hedge" or limit the potential upside and downside risk of a security in a Client's account.

Our policy allows us to use "covered calls", in which we sell an option on a security in the Client's account to earn the fee from the sale of the option that gives the buyer the right to call or acquire the security from the Client's account at the strike or pre-determined option contract price. This occurs in holdings that we believe have reached their expected market value and would subject to selling but instead decide to earn the premium income in lieu of selling and forgoing any additional upside in the holding.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. However, in most instances the option expires and become worthless to the purchaser who sustains a loss in the form of the purchase price of the option plus brokerage commission.

**Risk of Loss.** Securities investments are not FDIC guaranteed and the Client may lose money on their investments.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of Clients. Therefore, although our firm may provide investment advisory services relative to Client investment assets, Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially 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. Clients are responsible for instructing each custodian to forward copies of all proxies and shareholder communications relating to the Client's investment assets.

We may provide Clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business. However, voting assistance is not a separate firm product offering. A copy of our proxy voting policy and procedures is available by contacting CAAS Compliance at [accountservices@wealth-advisor.biz](mailto:accountservices@wealth-advisor.biz).

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## **Item 7. Client Information Provided to Portfolio Managers**

As previously stated in Item 4 of this Brochure, we will assist the Client in determining their investment goals and objectives, risk tolerance, and retirement plan time horizon. Based on this information, we will create an initial portfolio allocation designed to complement the Client's educational, home ownership, and retirement goals and objectives.

The majority of the portfolio managers are IARs of CAAS, which have entered a relationship directly with the Client and CAAS. As part of the initial on-boarding process for a Client, the advisor has the Client fill out an Investment Policy Statement ("IPS") which asks for standard Client information including social security number, date of birth, marital status, employment status, among other general information pieces. Additionally, the IPS requests further financial information that the IAR uses in order to develop a financial plan, including annual income, net worth, tax information, investment experience, income requirements, and feelings on investing and the market. The IAR then will combine this information to develop an overall risk score with the help of Risk Software such as Riskalyze, Envestnet, or the CAAS IPS. IARs may request financial statements of CAAS and outside accounts in order to develop a holistic view of the Client's financial situation, which will assist further to develop a suitable financial plan. CAAS IARs also follow up periodically to ensure that this information is up to date and accurate.

For portfolio managers that are not affiliated with CAAS, the Client information provided would be an investable account number and basic details such as current holdings and market value. As our wrap programs are primarily executed through Envestnet, the use of outside portfolio managers limits the Client data that they would receive. Certain outside portfolio managers require information from Clients, such as agreement to their standard terms and conditions, a Client profile or application, and other related documentation. The Client's IAR will work with the Client directly to obtain any outside portfolio manager required documentation.

A Client may impose reasonable restrictions on the management of their account assets being managed on Envestnet, such as the designations of particular securities or types of securities that should not be purchased or that should not be sold if held in the account. The Client should communicate such restrictions to their IAR to ensure that their account is set up properly.

## **Item 8. Client Contact with Portfolio Managers**

We do not impose any restrictions on the Client's ability to contact our firm and our Investment Adviser Representatives. Non-CAAS portfolio managers, including Mutual Funds or SMA Managers, are generally not directly available to Clients. However, our IARs are readily available to address questions or concerns regarding these investments.

## Item 9. Additional Information

### A. Disciplinary Information

Our firm and our management personnel have no reportable disciplinary events to disclose.

### Other Financial Industry Activities and Affiliations

Certain of our Investment Adviser Representatives (“IARs”) are registered representatives of Geneos Wealth Management, Inc. (“Geneos”). Geneos is an unaffiliated securities broker-dealer (member of FINRA, SIPC) and are investment adviser registered with the Securities and Exchange Commission.

In addition, our IARs are also licensed insurance agents. Our IARs receive compensation for their activities as registered representatives or insurance agents.

As registered representatives of Broker-Dealers, our IARs may recommend securities or insurance products offered by the broker-dealer, and receive customary commissions if products are purchased through them. Thus, a conflict of interest exists between the interests of the IARs and those of our advisory Clients, as the representative would be incentivized to recommend products that carry a commission. Our financial planning, 401(k), and non-discretionary Clients, who approve all recommendations and receive conflict disclosures in advance, are under no obligation to purchase products recommended by the IARs. No Client is obligated to place securities transactions or purchase insurance through Geneos.

Geneos receives a fee that is paid by the firm upon receipt of an invoice, in accordance with an arm’s length agreement, to defray the costs for the functions Geneos are required to carry out by FINRA. This fee is not passed to our Clients in the form of increase execution or brokerage charges or imputed as part of our advisory fee.

Our owners are also the owners and officers of Capital Asset Insurance Services, Inc., (“CAIS”) and Wealth Advisory Group Insurance Agency (WAGIA), licensed insurance agency in the State of Michigan. Through CAIS and WAGIA, licensed agents offer insurance products from a variety of product sponsors. Our IARs who are also licensed insurance agents effect transactions in insurance products and earn the standard and customary commissions for these activities. We have Clients who also are Clients of CAIS. Clients may use the insurance agency and agent of their choosing and are under no obligation to use the services of CAIS or of any of its insurance agents for insurance services. Our advisory fees are separate and distinct from any commissions earned by CAIS or WAGIA or its insurance agents for the sale and servicing of insurance products. Our firm and/or its related persons own, wholly or in part, several accounting firms. These firms provide accounting and tax preparation services to advisory Clients for separate and typical compensation. No advisory Client is obligated to use these accounting firms, and no accounting Client is obligated to use our advisory services. The Client should be aware that the receipt of additional compensation by our firm and our management persons or IARs creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory

recommendations. We endeavor at all times to put the interest of our Clients first as part of our fiduciary duty as a registered investment adviser.

We take the following steps to address these conflicts:

- disclose to Clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory Clients in addition to our firm's advisory fees;
- disclose to Clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- collect, maintain and document accurate, complete and relevant Client background information, including the Client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each Client account to verify that all recommendations made to a Client are suitable relative to Client risk tolerance;
- require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

The Owners of CAAS are also Owners of CG Financial, a DBA with IARs registered under CAAS. The Owners offer advisory services under CAAS. CG Financial has clients who are also CAAS clients, but also have clients that are not associated with CAAS. Clients have no obligation to use the services of CG Financial separate from the advisory business of CAAS. CAAS has developed safeguards to segregate customer data from CG Financial who are not also owners of CAAS. We endeavor at all times to put the interest of our Clients first as part of our fiduciary duty as a registered investment adviser.

We take the following steps to address these conflicts:

- disclose to Clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory Clients in addition to our firm's advisory fees;
- disclose to Clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;

Certain of CAAS' owners are also the owners of Wealth Advisory Group ("WAG"). WAG provides administrative and compliance services to CAAS and its affiliates that include the following:

- Providing the Chief Compliance Officer for CAAS, the investment adviser;
- Implementing and Administering Compliance program for CAAS;
- Compliance assistance to all CAAS investment adviser representatives;
- Portfolio management;
- Trading a small amount of other models;
- Identifying and screening individuals for employment as investment adviser representatives;
- Payroll, accounting, bill-paying and other back-office services;
- Providing staff to assist in the above functions.

WAG does not provide investment advice.

This arrangement presents a conflict of interest since CAAS's affiliated entity WAG receives fees for the services they provide, which in turn compensates the shared owners for being the Client's investment adviser and performing the administrative and compliance functions. This gives CAAS an incentive to use WAG for these services since they share in the revenue generated.

We take the following steps to address this conflict:

- disclose to Clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory Clients in addition to revenue from WAG's services;
- disclose to Clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies.
- CAAS will confirm on an annual basis that the fees in the Schedule are consistent with prevailing market rates for the provision of similar TPA services.

## **B. Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading**

Our officers, employees and IARs buy or sell – for their personal account(s) – investment products identical to those recommended to Clients. These investment products are widely held and publicly traded. It is our policy that no person employed by our firm shall give preference to his or her own interest to that of the advisory Client.

It is further noted that our investment advisory business is in and shall continue to be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, we have adopted a firm wide policy statement outlining insider-trading compliance by the Firm, its associated persons, and other employees.

We have established the following restrictions in order to ensure our fiduciary responsibilities:

1. Our employees, including associated persons, shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with our firm or Geneos, unless the information is also available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory Clients;<sup>1 2</sup>
2. We maintain a restricted list of issuers when the firm, including its officers, employees, and associated person, are in possession of material non-public information of a publicly listed security;
3. All personal and Client transactions are reviewed monthly to identify potential conflicts of interests and resolve any conflict, should one arise, in the best interest of our Clients;
4. All Clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process;
5. We emphasize the unrestricted right of the Clients to decline to implement any advice rendered, except in situations where a Client has granted discretionary authority;
6. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices;
7. Any individual not in observance of the above may be subject to termination.

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

CAAS provides a copy of its Code of Ethics (“COE”) to any Client or prospective Client upon request to the Chief Compliance Officer at CAAS’ principal address. The firm’s COE require all access persons, including immediate family members of the same household, to initially, upon employment, and annually thereafter to provide personal trading account holdings. We also require access persons to certify quarterly to any transactions during the period and whether they

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<sup>1</sup> This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of our Clients’ trade in sufficiently broad markets to permit transactions by Clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with our records in the manner set forth above.

<sup>2</sup> Open-end mutual funds and/or the investment sub-accounts, which may comprise a variable insurance product, are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase of redemption. As such, transactions in mutual funds and/or variable insurance products by IARs are not likely to have an impact on the prices of the fund shares in which Clients invest, and are therefore not prohibited by our investment policies and procedures.

have opened or closed any personal trading brokerage accounts. In addition, certain types of transactions must be pre-cleared by the firm's Compliance Department.

### **C. Trading in WealthMark, WealthBuilder Program Accounts, CAAS UMA Program Accounts, and Advisor As Portfolio Manager Accounts**

We suggest that Clients invested in WealthMark, WealthBuilder, CAAS UMA, and APM Accounts execute trades through TD Ameritrade Institutional. CAAS participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services, which include custody of securities, trade execution, clearance, and settlement of transactions. CAAS receives some benefits from TD Ameritrade through its participation in the TD Ameritrade Institutional Program.

We reasonably believe that in the case of managed accounts, TD Ameritrade's blend of execution services, commission, and transaction costs as well as professionalism is consistent with our best execution and fiduciary duty to the Client. We anticipate that most trades will be executed at TD Ameritrade. However, in unusual circumstances, we reserve the right to engage the services of other custodians, for example, to execute transactions in thinly-traded ETFs. In this situation with thinly-traded ETFs, CAAS will absorb the trading costs associated with the use of another custodian.

In addition to using TD Ameritrade as a custodian, CAAS has a relationship with Mid Atlantic Capital Group, Inc. ("Mid Atlantic") which CAAS uses for situations where TD Ameritrade is not a fit for that particular Client.

Generally, Envestnet will aggregate all Wealthmark, and Wealthbuilder model driven orders through their platform for the purchase and sale of securities if aggregation is consistent with achieving best execution for the various Client accounts. Orders are placed with the execution broker through a trade order module which automatically aggregates all Client model driven transactions for the same security in the same direction that is electronically delivered to the broker. All executed transactions are auto-filled directly into the Client's accounts at the Client selected custodian. All participating accounts receive the average share price for the transaction and bears a proportionate share of all transaction costs, based on each account's participation in the transaction, subject to our discretion primarily for individually traded accounts depending on factual or market conditions and the duty to achieve best execution for Client accounts. We may include proprietary or personal accounts in block trades. These proprietary or personal accounts are treated as Client accounts and are given neither preferential nor inferior treatment versus other Client accounts.

Envestnet allocates orders among Client accounts in a fair and equitable manner. Generally, the Client model(s) automatically pre-allocate orders based on style drift and during periodic account rebalancing based on accounts with the same or similar investment objective on a pro rata basis according to the difference between existing holdings and the model recommendations. During times of style drift, the order is automatically generated to bring the Client(s) account(s) back in

line with the specific Client selected model. We do not allocate trades on the basis of account performance or the amount or structure of management fees.

However, the following factors will impact the manner in which an allocation to a Client's accounts deviates either from the model and individually traded accounts that do not participate in an eligible recommendation:

1. an account's existing positions in securities;
2. the cash availability of one or more particular accounts;
3. a partial fill of the block trade;
4. tax reasons.

We receive no additional compensation or remuneration of any kind due to the aggregation of Client trades.

In APM Accounts, trades executed on Envestnet flow directly from the site to the custodian without Envestnet's intervention. This means that there is a straight flow through of trade instructions placed in Envestnet sent directly to the custodian. Advisors also have the ability to place trades directly with TD Ameritrade using TD Ameritrade's Veo trading tool. Trade information flows back and forth from TD Ameritrade and Envestnet via a data feed.

## **Review of Accounts**

### **WealthMark and WealthBuilder Program Accounts:**

Our Investment Policy Committee continuously reviews the securities in WealthMark and WealthBuilder Portfolios. Allocations in model portfolios are reviewed by the Investment Policy Committee at least quarterly. The Client account is reviewed by the Investment Adviser Representative responsible for the Client account at least annually. More frequent reviews may be triggered by material economic, political or market events, or by changes in the Client's financial situation.

### **CAAS UMA Program Accounts:**

Our Investment Policy Committee continuously reviews the securities in CAAS UMA Program Account Portfolios. Allocations in model portfolios are reviewed by the Investment Policy Committee at least semi-annually. The Client account is reviewed by the Investment Adviser Representative responsible for the Client account at least annually. More frequent reviews may be triggered by material economic, political or market events, or by changes in the Client's financial situation.

### **CAAS Enhanced ETF Accounts:**

Our Investment Policy Committee continuously reviews the securities in the CAAS Enhanced ETF portfolios. Allocations and model suitability are reviewed by the Investment Policy Committee at



least semi-annually. The Client account is reviewed by the Investment Adviser Representative responsible for the Client account at least annually. More frequent reviews may be triggered by material economic, political or market events, or by changes in the Client's financial situation.

**Advisor as Portfolio Manager Accounts:** We continuously review the securities held in APM Accounts. The Client account is reviewed at least quarterly by our compliance team and is reviewed by the Investment Adviser Representative responsible for the Client's account at least annually. More frequent reviews may be triggered by material economic, political or market events, or by changes in the Client's financial situation. CAAS encourages Advisers to review trade logs on client accounts daily.

### **Investment Policy Committee**

The IPC convenes semi-annually to review the allocations in the investment models described above as a means of managing the effectiveness of the models by reviewing the underlying allocations to each model. Models are adjusted, as needed, if not performing as expected based off industry and sector peers and client portfolios are adjusted or rebalanced, depending on the extent of changes made to the particular model. All client accounts are managed pari-passu to the model to reasonably ensure no one client account is systematically advantaged or disadvantaged.

There are Investment Policy Sub-Committees to the IPC that monitors client portfolios on a more frequent basis.

### **Reports to Clients**

The account custodian is responsible for providing monthly or quarterly account statements which reflect the position (and current pricing), as well as transactions in each account, including fees paid from an account. CAAS also makes available to Clients via their Client portal in Envestnet Quarterly Performance Reports.

### **Client Referrals and Other Compensation**

#### **Client Referrals**

Our firm pays referral fees to independent persons or firms ("Solicitors") for introducing Clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective Client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the Client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by Clients referred by solicitors are not increased as a result of any referral.

## **Other Compensation**

Neither our firm nor our Investment Adviser Representatives receive any additional compensation related to the WealthMark or WealthBuilder Program. However, we do receive benefits through our recommendation of TD Ameritrade for custody and brokerage services. Please refer to Item 4 of this Brochure for more information.

As disclosed under Item 12. above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits 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 Advisor 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not

to exceed 25%) of the advisory fee that the client pays to Advisor (“Solicitation Fee”). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Advisor will also pay TD Ameritrade the Solicitation Fee on any assets received by Advisor from any of a referred client’s family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. Advisor’s participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor’s participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### **Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per Client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that has discretionary authority, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Capital Asset Advisory Services, LLC has no additional financial circumstances to report.

Capital Asset Advisory Services, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.