

VVR HOLDINGS, LLC
DBA
CAPSTONE RIA

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Form ADV Part 2A – Disclosure Brochure

Effective: January 14, 2025

This Part 2A of Form ADV (“Brochure”) provides information about the qualifications and business practices of VVR Holdings, LLC dba Capstone RIA (“Capstone” or “us” or “we” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (877) 739-6007 X103. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration does not imply a certain level of skill or training.

Additional information about Capstone RIA also is available on the SEC’s website at www.adviserinfo.sec.gov. The site may be searched by a unique identifying number known as a CRD number. Capstone RIA’s CRD number is 334343.

ITEM 2: MATERIAL CHANGES

This version of Capstone's Disclosure Brochure, dated January 13, 2025, is the Brochure submitted with our initial registration. It contains information regarding our qualifications, business practices, nature of the investment management services we provide, as well as a reasonable disclosure of any known and potential material conflicts of interest relating to our investment management business that could affect a client's account with us. You should rely on the information contained in this document or other information that we have referred you to. We have not authorized anyone to provide you with information that is different. We encourage all current and prospective clients to read this Disclosure Brochure and discuss any questions you have with us. Should you have any additional questions or concerns regarding Capstone RIA or the contents of this Brochure, please contact Lettie Sihota Chief Compliance Officer by phone at 877.739.6007.

MATERIAL CHANGES SINCE THE LAST UPDATE

There are no material changes as this is the Firm's initial filing with the US Securities and Exchange Commission.

FULL BROCHURE AVAILABLE

From time to time, we will amend this Disclosure Brochure to reflect changes in business practices, regulations, and other routine updates as required updates as by the respective regulators. This complete Disclosure Brochure or a Summary of Material Changes will be provided to you annually and/or if a material change occurs.

To request a complete copy of our Brochure, contact us by telephone at (877) 739-6007 ext.103 or by email to Lettie@capstoneria.com. Alternatively, you can view the current Disclosure Brochure online at the SEC's Investment Advisor Public Disclosure website at www.advisorinfo.sec.

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ITEM 4: ADVISORY BUSINESS

A. FIRM DESCRIPTION

VVR Holdings, LLC DBA Capstone RIA (“Capstone” or the “Firm” or “us” or “we”) is a corporation that was founded in the State of Washington in 2021. Capstone RIA is seeking registration as an investment adviser firm with the US Securities and Exchange Commission (“SEC”). Capstone is owned 100% by VVR Holdings, LLC. VVR Holdings, LLC is owned by Tyler Ryan, Lauryn Vogt and Lettie Sihota. Tyler Ryan (“Mr. Ryan”) will be the sole investment adviser representative (“IAR”) of Capstone RIA advising on Client accounts. Additional information about Mr. Ryan’s background may be found in his Form ADV Part 2B Brochure Supplement. Additionally, Lettie Sihota (“Ms. Sihota”) is also registered as an IAR but will not meet with Clients or provide investment advice. Additional information about Ms. Sihota’s background may be found in her Form ADV Part 2B Brochure Supplement.

Capstone offers a variety of investment advisory and related financial services to our Clients. We provide investment advisory services, financial planning services, and retirement plan consulting services, all of which are discussed below in further detail. The products discussed throughout this Brochure are all available on a non-wrap fee basis. Our clients consist of individuals, high net-worth individuals, families, business owners and corporations.

B. TYPES OF ADVISORY SERVICES

OVERVIEW OF SERVICES

Our investment advisory services consist primarily of: (1) assessing client needs and goals; (2) financial planning designed to meet those goals; (2) implementing the asset allocation by recommending or otherwise assisting in the client’s selection of specific investment managers or passive investment vehicles that employ those strategies; and (3) reviewing and reassessing the client’s needs and goals, their investment portfolios, and repeating the process on a regular, ongoing basis.

Capstone RIA dedicates itself to understanding the intricacies of each client. For all investment advisory and related services described below, we tailor our portfolios in accordance with the client-specific needs obtained from documented discussions, a financial plan and/ or risk assessment. Before providing investment advisory services, Capstone takes multiple factors into consideration, including, but not limited to, investment objectives, investment horizon, risk tolerance, as well as any reasonable guidelines and restrictions a client may need or impose.

INVESTMENT ADVISORY AND FINANCIAL PLANNING SERVICES

Capstone provides discretionary and non-discretionary investment advisory services, including financial planning, on a *fee* basis as discussed at Item 5 below. Capstone’s investment advisory services are driven by and coordinated with each Client’s individual financial goals. Before engaging Capstone to provide investment advisory services, Clients are generally required to enter into an Investment Advisory Agreement with Capstone setting forth the terms and conditions of the engagement (including termination), describing the scope and services to be provided, and the fee that is due from the Client. To commence the investment advisory process, Capstone will ascertain each Client’s investment objective(s) and then allocate the clients’ assets consistent with the clients designated investment objective(s). For individual retail clients

(i.e., non-institutional) Clients, Capstone's annual investment advisory fee shall generally (exceptions can occur- *see below*) include investment advisory services, and, to the extent specifically requested by the Client, financial planning and consulting services.

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services

To the extent requested by the client, Capstone will generally provide financial planning and related consulting services regarding matters such as tax and estate planning, insurance, etc. Capstone will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon assets under management, extraordinary matters, special projects, stand-alone engagements, etc., for which the Firm may charge a separate or additional fee). Capstone believes that it is important for the Client to address financial planning issues on an ongoing basis. Capstone's fee, as set forth at Item 5 below, remains the same regardless of whether or not the client determines to address financial planning with the Firm. Please note, Capstone does not serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as the same. Accordingly, Capstone does not prepare legal documents or tax returns, does not offer or sell insurance products. To the extent requested by the Client, we may recommend the services of other professionals for non-investment implementation purposes (i.e., attorneys, accountants, insurance agent, etc.). The Client is not under any obligation to engage any such professional(s). The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Capstone and/or its IARs. If the client engages such professional(s) (i.e., attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the engaged professional shall remain exclusively responsible for resolving any such dispute with the Client. At all times, the engaged professional(s) and not the Firm nor its IARs shall be responsible for the quality and competency of the services provided.

It remains each Client's responsibility to promptly notify Capstone if there is ever any change in the Client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Pontera

Capstone has entered into an agreement with Pontera ("Pontera Platform"), uses a third-party platform to facilitate management of certain held-away assets such as defined contribution plan participant accounts, with discretion. The Pontera Platform allows Capstone to avoid being considered to have custody of Client funds since Capstone does not have direct access to client log-in credentials to affect trades. Capstone is not affiliated with Pontera in any way and receives no compensation from Pontera for using the platform. A link will be provided to the client allowing the client to connect their designated held-away account(s) to the Pontera Platform. Once the client's account is connected to the Pontera Platform, Capstone will review the current account allocations. When deemed necessary, Capstone will reallocate and/or rebalance the account in consideration of your investment goals, risk tolerance, and current economic and market trends. The goal is to improve account performance over time, minimize losses during difficult markets, and manage internal fees that harm account performance. Client account(s) on the Pontera Platform will be reviewed at least quarterly, and allocation changes will be made as deemed necessary.

Advice and services are tailored to the stated objectives of the Client(s). Capstone discusses with the Client in detail critically important information, such as the Client's risk tolerance, time horizon, and projected future needs, to formulate an investment policy. This policy guides the firm in objectively and suitably managing the Client's account. An IAR of the firm will meet with Clients on an as needed basis to review portfolio performance, discuss current issues, and reassess goals and plans.

The firm approach uses broadly diversified portfolios and a systematic strategy to manage investments. Our investment recommendations generally include individual bonds, individual equities, and exchange-traded funds, and exchange-listed and non-exchange-listed equity securities. We also recommend certificates of deposit, municipal securities, U.S. government securities, and money market funds. If Clients hold other types of investments, e.g., REITS, we may advise them on those investments. Clients may impose restrictions on investing in certain securities or types of securities. We consider such restrictions when preparing the Investment Policy Statement.

Retirement Rollovers – Potential for Conflict of Interest: A Client or prospective client leaving an employer typically has four options regarding an existing retirement plan (an may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted; (ii) rollover the assets to the new employer’s plan, if one is available and rollovers are permitted; (iii) roll over to an Individual Retirement Account (“IRA”); or (iv) cash out the account value which could, depending on the Client’s age, result in adverse tax consequences. If Capstone recommends that a Client roll over their retirement plan assets into an account to be managed by Capstone, such recommendation creates a conflict of interest if Capstone will earn a new or, increase its current, compensation as a result of the rollover. If Capstone provides a recommendation as to whether a Client should engage in a rollover or not (whether it is from an employer’s plan or an existing IRA), Capstone is acting as a fiduciary within the meaning of Title 1 of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable. We follow strict fiduciary standards as required by the SEC, putting our Clients’ interests before our own and seeking to avoid conflicts of interest with our Clients. We are compensated only by our Clients. Nonetheless, conflicts of interest do exist between our interests and our Clients’ interests. Thus, our Clients are not obligated to act on our recommendations, or they can act on one or more of our recommendations without transacting business directly with us. No Client is under any obligation to roll over retirement plan assets to an account managed by Capstone, whether it is from an existing IRA or from an employer’s plan. Capstone’s Chief Compliance Officer remains available to address any questions that a Client or prospective client may have regarding the potential for conflicts of interest provided by such rollover recommendations.

Cash Sweep Accounts

Each advisory account is designed to include a target cash allocation, between 0.50% - 1.00%, which Capstone may adjust in its sole discretion. Capstone will review the Client’s target cash allocation at least quarterly. Clients may enroll, to the extent permitted by applicable law, in a cash sweep program to deposit (i.e., “sweep”) available cash balances that are pending investment, as well as any strategic cash balances allocated to cash, in their advisory account. Additionally, Schwab generally requires that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian’s sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate the corresponding yield dispersion, Capstone shall generally purchase a higher yielding money market fund available on the custodian’s platform with cash proceeds or deposits, unless Capstone reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the Client’s account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the Client of an imminent need for such cash, or the Client has a demonstrated history of writing checks from the account.

Client assets that remain in the Client's advisory account will earn interest and are subject to our advisory fee as described in Item 5 below.

Borrowing Against Assets

A Client who has a need to borrow money could determine to do so by using margin. The account custodian or broker-dealer lends money to the client. The custodian charges the Client interest for the right to borrow money and uses the assets in the client's brokerage account as collateral.

These above-described collateralized loans are generally utilized because they provide competitive interest rates. These types of loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains. However, such loans are not without potential material risk to the Client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the Client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Capstone does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Capstone does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the Client were to determine to utilize margin, the following economic benefits would inure to Capstone:

- by taking the loan rather than liquidating assets in the client's account, CWM continues to earn a fee on such Account assets;
- if the client invests any portion of the loan proceeds in an account to be managed by us, CWM will receive an advisory fee on the invested amount; and
- Capstone's advisory fee is based upon the higher margined account value; therefore Capstone will earn a correspondingly higher advisory fee. This may incentivize Capstone to encourage the use of margin.

Please note, the Client must accept the above risks and potential corresponding consequences associated with the use of margin or pledged assets loans.

Non-Discretionary Service Limitations. Clients that determine to engage Capstone on a non-discretionary investment advisory basis must be willing to accept that Capstone cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Therefore, in the event of a market correction during which the client is unavailable, Capstone will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

Custodian Charges – Additional Fees: As discussed at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Capstone generally recommends that Charles Schwab & Company, Inc. ("Schwab") serve as the broker-dealer/custodian for the Client's investment management assets. Broker-dealers such as Schwab charge commissions, transaction, and/or other types of fees for effecting certain types of securities transactions (i.e., IRA maintenance fees, transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions). These types of fees may differ depending on the broker-dealer custodian. While certain custodians, including Schwab, generally do not charge fees on individual equity transactions (excluding large orders), others do. There can be no assurance that Schwab will not change their transaction fee pricing in the future. Schwab may also charge fees to Clients who elect to receive trade confirmations and account statement by regular mail rather than electronically. **Tradeaways:** When beneficial to the Client, individual fixed-income and/or equity transactions may be effected through broker-dealer with whom Capstone and/or the client have

entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client will generally incur both the transaction fee charged by the executing broker-dealer and a “trade-away” fee charged by Schwab. The above fees/charges are in addition to Capstone’s fee described at Item 5 below. Capstone does not receive any portion of these fees/charges.

Portfolio Activity: Capstone has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Capstone will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client’s investment objective. Based upon these factors, there may be extended periods of time when Capstone determines that changes to a client’s portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

Reporting Services: Capstone provides its Clients access to Black Diamond, a management software program which pulls its data from the Client’s custodian. Black Diamond may incorporate client investment assets that are not part of the assets that Capstone manages (the “Excluded Assets”). Unless also agreed to otherwise, Advisor does not provide investment management, monitoring or implementation services for the Excluded Assets. Unless agreed to otherwise, the Client and/or their other advisors that maintain trading authority, and not Capstone, shall be exclusively responsible for the investment performance of the Excluded Assets. If Capstone is asked to make a recommendation as to any Excluded Assets, the Client is under absolutely no obligation to accept the recommendation, and Capstone shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The Client can engage Capstone to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the Investment Advisory Agreement between Capstone and the Client.

Should the value of the Client’s accounts provided by Black Diamond differ from the value specified by the Client’s custodian, the Company will utilize the value provided by Black Diamond for billing purposes. In limited circumstances, when required by the record keeper or custodian, the market value of the Client’s account on the last day of the billing period shall be used to calculate the advisory fee. Clients do not pay a separate fee for Black Diamond.

Disclosure Statement: A copy of Capstone’s written Brochure and Client Relationship Summary, as set forth on Part 2A of Form ADV and Form CRS respectively, shall be provided to each Client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

D. WRAP FEE PROGRAMS

We do not participate in a wrap fee program.

E. ASSETS UNDER MANAGEMENT

As of January 1, 2025, Capstone reports \$0.00 in client assets on a discretionary basis and \$0.00 on a non-discretionary basis as this is Capstone’s initial Form ADV filing. Capstone reasonably expects that it will exceed \$100,000,000 in assets under management within 120 days after the Firm’s initial registration with the SEC is effective.

ITEM 5: FEES AND COMPENSATION

Capstone's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under its management, including cash and accrued interest on bonds and dividends payable on mutual funds (between 0.80% and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
\$0 - \$4,000,000	1.00%
Over \$4,000,000	0.80%

Capstone's advisory fee is not negotiable. However, Capstone, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive fee in its entirety, or charge fee on a different interval, based upon certain criteria (i.e. dollar amount of accounts to be managed, related accounts, account composition, complexity of the engagement, services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, etc.). As a result of these factors, similarly situated clients could pay different or lesser fees. The services to be provided by Capstone to any particular Client could be available from other advisers for similar or lower fees, and certain Clients may have fees different than those specifically set forth above. Capstone's Chief Compliance Officer remains available to address any questions that a Client has regarding advisory fees.

As described in Item 4, when advising clients who participate in employee benefit plans held away from Schwab, Capstone will utilize the Pontera Platform. Pontera will directly bill Capstone an annual fee for the assets under management contained in such accounts, quarterly in advance. For assets managed using the Pontera Platform, Capstone will charge the client up to 3.00% of the Clients total AUM (assets held at Schwab and assets held at Pontera) annually. Client should refer to their *Investment Advisory Agreement* for the fees they will be charged. Capstone's Chief Compliance Officer remains available to address any questions that a Client has regarding Pontera's fees.

Custodial Statement Valuation. Clients' custodial statements will generally not account for any accrued interest on bonds or dividends payable on mutual funds until one or two days into the following quarter. Additionally, deposits to or withdrawals from a Client's account on the last billing day of the month may not be reflected on the custodian's current statement. These transactions will appear in the following statement reflecting the actual and accurate date of the deposit or withdrawal. Therefore, in some instances, what Capstone uses as the Client's quarter end balance may be different from what the Client's custodial statements reflects as an ending balance.

We bill client advisory fees quarterly, in advance based on the Client's average daily balance based on closing value at the end of each day. A notice, detailing the amount of the fee to be deducted from the Client's account, is sent directly to the custodian. Fees are paid directly to us from the account by the custodian upon our submission of an invoice to custodian. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. The fee is based on an average daily balance calculated using the daily market closing value of the Client's account based on the number of days in the prior quarter. Fees for a partial quarter at the commencement of an agreement will be prorated based on the number of days the account was open during the quarter. In the event of termination, Capstone will refund any unearned portion of the advanced fee paid based upon the number of days remaining in the billing quarter.

Market value means the value of all assets in the account (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly

reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date.

Clients pay brokerage transaction costs and other charges directly to the custodian. See Item 12. Clients may be required to pay, in addition to Capstone fee, a proportionate share of any Exchange Traded Fund's (ETF) or mutual fund's fees and charges. For example, Mutual fund operating expenses are paid out of the fund and are an additional expense incurred by the Client.

New accounts are pro-rated from the time we begin charging a fee to the Client. Fees for partial quarters at the commencement or termination of this Agreement will be billed on a pro-rated basis contingent on the number of days the account was open during the quarter.

Termination Of Advisory Agreement. Either the Client or Capstone may terminate the Investment Advisory Agreement at any time by either party giving verbal or written notice to the other party specifying the date of termination. Clients who terminate their Agreement will receive a refund of the portion of any fee paid but not yet earned as of the date such notice is received or such later date as may be designated by the client, based on the following formula:

$$\frac{\text{(Days remaining in quarter after termination)} \times \text{(Fees paid for the quarter)}}{\text{(Total number of days in the quarter)}} \\ \text{Less (Any expenses incurred by Advisor, up to and including that date.)}$$

Mr. Ryan, in his separate and individual capacity, is licensed to sell insurance in one or more states, either through a licensed general insurance agency or as direct agent representative of a specific insurance company.

Mr. Ryan may receive commissions from insurance products sold to Clients in his separate and individual capacity. Clients are advised that the fees paid to Capstone for investment advisory services are separate and distinct from the commissions earned by any individual for selling Clients insurance products. If requested by a Client, we will disclose the amount of commission expected to be paid. The receipt of commissions by an individual associated with the firm presents a conflict of interest. We mitigate this conflict by upholding our fiduciary duty and always prioritizing the best interests of our Clients.

B. Payment of Fees

Clients may elect to have Capstone's advisory fees deducted from their custodial account. Both Capstone's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Capstone's investment advisory fee and to directly remit that management fee to Capstone in compliance with regulatory procedures. Unless otherwise specified, fees are charged quarterly in advance. The client's first billing cycle will be prorated based on the number of days the client's account was opened and how much was funded into the account during their first month. In addition, for Clients utilizing margin, Capstone will include the entire market value of the margined assets when computing its advisory fee.

C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Capstone shall generally recommend that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The

types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including Schwab, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do. There can be no assurance that Schwab will not change their transaction fee pricing in the future. Schwab may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically. Clients will incur, in addition to Capstone's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

D. Capstone's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the average daily balance of the assets, unless otherwise agreed. The Investment Advisory Agreement between Capstone and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Capstone shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

E. Neither Capstone, nor its IARs accept compensation from the sale of securities or other investment products.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

A. PERFORMANCE BASED COMPENSATION

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

B. SIDE-BY-SIDE MANAGEMENT

Capstone does not provide Side-By-Side Management.

ITEM 7: TYPES OF CLIENTS

We provide investment advice to individuals, high net-worth individuals, families, business owners and corporations.

Capstone has no minimum account size for opening or maintaining an account.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

A. METHODS OF ANALYSIS & INVESTMENT STRATEGIES

Capstone believes in a long-term, balanced, disciplined approach to investing. As such, we build globally diversified portfolios that typically include ETF's, stocks, bonds, real estate, alternative investments (such as commodities funds), and cash. These asset classes are accessed via mutual funds, exchange traded funds, and individual stocks and bonds. Investing takes place within the context of the plan that is tailored to each client's unique situation. Numerous studies and statistics have shown that a stable, disciplined investment

approach with a long-term perspective yields better long-term results than a rapid trading, market timing approach.

As part of our core investment approach, we purchase on behalf of clients' investments including (but not limited to) the following:

- Mutual Fund shares
- Exchange Traded Fund shares
- Publicly and non-publicly traded securities
- Corporate debt securities
- Certificates of deposit
- Municipal securities
- United States government and agency securities

We primarily research and review securities using traditional fundamental analysis. The primary investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases. The fundamental analysis of securities is used in conjunction with modern portfolio theory to generate diversified portfolios of securities based on the individual Client's investment goals and risk tolerance profile. While this practice does mediate some investment risk, it cannot mediate all investment risk. This residual systemic risk includes, but is not limited to, interest rate risk, inflation risk, market risk, corporate risk, geopolitical risk, and risk due to war or natural disasters.

The main sources of information we rely upon when researching and analyzing securities include traditional research materials such as financial newspapers and magazines, annual reports, prospectuses, filings with the SEC, as well as research materials prepared by others and company press releases. We also subscribe to various professional publications deemed to be consistent and supportive of our investment philosophy.

B. RISK OF LOSS

Clients must be aware that investing in securities involves the risk of loss of principal that clients should be prepared to bear.

We use our best judgment and good faith efforts in rendering services to Client. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment recommendation we make will be profitable. Investing in securities involves risk of loss that Clients should be prepared to bear. Clients assume all market risk involved in the investment of account assets. Investments are subject to various market, currency, economic, political, and business risks.

Capstone's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Capstone must have access to current/new market information. Capstone has no control over the dissemination rate of market information; therefore, unbeknownst to Capstone, certain analyses may be compiled with outdated market information, severely limiting the value of Capstone'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.

Capstone'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.

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 Capstone) will be profitable or equal any specific performance level(s). Capstone does not represent, warrant, or imply that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Notwithstanding Capstone's method of analysis or investment strategy, the assets within the client's portfolio are subject to risk of devaluation or loss. The Client should be aware that there are many different events that can affect the value of the client's assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Prepayment Risk:** The returns on the collateral for the deal can change dramatically at times if the debtors prepay the loans earlier than scheduled.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** This risk is associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Cybersecurity Risk:** The information technology systems and networks that Capstone and its third-party service providers use to provide services to Capstone’s Clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Capstone’s operations and result in the unauthorized acquisition or use of clients’ confidential or non-public personal information. Clients and Capstone are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Capstone has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Capstone does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

Risk Factors relevant to specific securities utilized include:

- **Digital Assets** – We may invest client accounts in virtual currencies, crypto-currencies, and digital coins and tokens (“Digital Assets”). The investment characteristics of Digital Assets generally differ from those of traditional currencies, commodities, or securities. Importantly, Digital Assets are not backed by a central bank or a national, supra-national or quasi-national organization, any hard assets, human capital, or other form of credit. Rather, Digital Assets are market-based: a Digital Asset’s value is determined by (and fluctuates often, according to) supply and demand factors, the number of merchants that accept it, and/or the value that various market participants place on it through their mutual agreement, barter, or transactions.
- **Equity Securities:** The value of the equity securities is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market’s perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.
- **Exchange Traded Funds (“ETF”):** ETFs are a recently developed type of investment security, representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-end mutual funds, the shares of ETFs and closed-end investment companies are not purchased and redeemed by investors directly with the fund but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs intended to replicate a securities index bear the risk that the ETF’s performance may not correctly replicate the performance of the index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.
- **Exchange Traded Notes (“ETN”):** ETNs are senior unsecured debt obligations of an issuer, typically a bank or another financial institution; however, ETNs are not categorized as typical fixed income products. They have a maturity date and are backed only by the credit of the underwriting bank. ETNs are linked to the performance of a particular market benchmark(s) or strategy and upon maturity, the underwriting bank promises to pay the amount reflected in the benchmark index minus

fees. ETNs are only linked to the performance of a benchmark, they do not actually own the benchmark index. ETNs also face the risk that the credit rating of the underwriting bank may be reduced, or the underwriting bank may go bankrupt, thus reducing the value of the ETN. Even though ETNs are not equities or index funds, they may face some of the risks of investing in equities or index funds.

- **Fixed Income Securities Risk:** Prices of fixed income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed income security prices. The longer the effective maturity and duration of the client's portfolio, the more the portfolio's value is likely to react to interest rates. For example, securities with longer maturities sometimes offer higher yields, but are subject to greater price shifts because of interest rate changes than debt securities with shorter maturities. Some fixed income securities give the issuer the option to call, or redeem, the securities before their maturity dates. If an issuer calls its security during a time of declining interest rates, we might have to reinvest the proceeds in an investment offering a lower yield and therefore might not benefit from any increase in value because of declining interest rates. During periods of market illiquidity or rising interest rates, prices of callable issues are subject to increased price fluctuation.
- **Municipal Bond Risk:** Municipal securities issuers may face local economic or business conditions (including bankruptcy) and litigation, legislation or other political events that could have a significant effect on the ability of the municipality to make payments on the interest or principal of its municipal bonds. In addition, because municipalities issue municipal securities to finance similar types of projects, such as education, healthcare, transportation, infrastructure and utility projects, conditions in those sectors can affect the overall municipal bond market. Furthermore, changes in the financial condition of one municipality may affect the overall municipal bond market. The municipal obligations in which clients invest will be subject to credit risk, market risk, interest rate risk, credit spread risk, selection risk, call and redemption risk and tax risk, and the occurrence of any one of these risks may materially and adversely affect the value of the client's assets or profits.
- **Mutual Fund Shares:** Some of the risks of investing in mutual fund shares include: (i) the price to invest in mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads), (ii) investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs, and (iii) investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Options and Other Derivatives:** Options are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a "naked" or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

While this information provides a synopsis of the events that may affect a client's investments, this listing is not exhaustive. Although Capstone's methods of analysis and investment strategies do not present any significant or unusual risks, all investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Clients should understand that there are

inherent risks associated with investing and depending on the risk occurrence; clients may suffer loss of all or part of the client's principal investment.

ITEM 9: DISCIPLINARY INFORMATION

Capstone is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. No principal or person associated with Capstone has any information to disclose which is applicable to this Item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. FINANCIAL INDUSTRY ACTIVITIES

Capstone is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Some of Capstone's supervised persons may be registered as a registered representative of a broker-dealer.

B. FINANCIAL INDUSTRY AFFILIATIONS

Capstone is not a registered Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, Capstone's management and supervised persons are not registered as and do not have an application pending to register as an associated person of the foregoing entities.

C. OTHER MATERIAL RELATIONSHIPS

As disclosed above, one of Capstone's IARs is also licensed as an insurance agent. In his separate and individual capacity as an insurance agent, Capstone will typically receive commissions for the sale of insurance products. Clients are not obligated to implement any recommendation provided by Capstone or purchase any insurance products from any Capstone IAR.

The conflicts of interest associated with the above arrangements and how these conflicts are addressed are described in Item 5E above.

D. OTHER INVESTMENT ADVISORS

Capstone does not receive additional compensation from other investment advisers that it recommends to or selects for clients.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. DESCRIPTION OF CODE OF ETHICS

Capstone maintains an investment policy relative to personal securities transactions. This investment policy is part of Capstone's overall Code of Ethics, which serves to establish a standard of business conduct for all of Capstone'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, Capstone also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Capstone or any person associated with Capstone.

B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Neither Capstone nor any related person of Capstone recommends, buys, or sells for client accounts, securities in which Capstone or any related person of Capstone has a material financial interest.

C. PROPRIETARY/SIMULTANEOUS TRADING

Capstone and/or representatives of Capstone may buy or sell securities that are also recommended to clients. This practice may create a situation where Capstone and/or representatives of Capstone are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a 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 Capstone 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 Capstone's clients) and other potentially abusive practices. Capstone has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Capstone's "Access Persons." Capstone's securities transaction policy requires that Access Person of Capstone 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 Capstone selects; provided, however that at any time that Capstone has only one Access Person, he or she shall not be required to submit any securities report described above.

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

ITEM 12: BROKERAGE PRACTICES

A. SELECTION AND RECOMMENDATION

In the event that the Client requests Capstone recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Capstone to use a specific broker-dealer/custodian), Capstone generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Capstone to provide investment management services, the Client will be required to enter into a formal Investment Advisory Agreement with Capstone setting forth the terms and conditions under which Capstone shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian. Factors that Capstone considers in recommending Schwab (or any other broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with Capstone, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-Dealers such as Schwab can charge transaction fees for effecting certain securities transactions (see Item 4 above). To the extent a transaction fee will be payable by the Client, the transaction fee shall be in addition to Capstone's investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, Capstone shall have a duty to obtain best execution for such transaction. However, that does not mean that the Client will not pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Capstone determines, in good faith, that the transaction fee is reasonable. 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, transaction rates, and responsiveness. Accordingly, although Capstone will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions.

B. RESEARCH AND OTHER BENEFITS

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/custodian, Capstone can receive from Schwab (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Capstone to better monitor and service client accounts maintained by at such institutions. Included within the support services that can be obtained by Capstone can 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 (including those provided by unaffiliated vendors and professionals), discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support (including client events), computer hardware and/or software and/or other products used by Capstone in furtherance of its investment advisory business operations, Certain of the benefits that could be received can also assist Capstone to manage and further develop its business enterprise and/or benefit Capstone's IARs.

Capstone's clients do not pay more for investment transactions effected and/or or assets maintained at Schwab as the result of this arrangement. There is no corresponding commitment made by Capstone to Schwab, 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.

Capstone's Chief Compliance Officer remains available to address any questions that a Client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.

C. BROKERAGE FOR CLIENT REFERRALS

Capstone does not receive client referrals from third parties for recommending the use of specific broker-dealer brokerage services.

D. DIRECTED BROKERAGE

Capstone 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 Capstone 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 Capstone. 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.

In the event that the Client directs Capstone 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 Capstone. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

Capstone does not permit clients to direct the use of a particular brokerage firm. Not all advisors restrict Clients' ability to direct brokerage. Clients may be able to direct brokerage with other advisors. If Clients are able to direct brokerage, advisors may be unable to achieve the most favorable executions of transactions which in turn may cost clients more money.

E. ORDER AGGREGATION

To the extent that Capstone provides investment management services to its clients, the transactions for each Client account generally will be effected independently, unless Capstone decides to purchase or sell the same securities for several clients at approximately the same time. Capstone may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among Capstone's Clients' 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. In the event that Capstone seeks to trade in the same security on the same day, the employee transaction will either be included in the "batch" transaction or transacted after all discretionary client transactions have been completed. Capstone shall not receive any additional compensation or remuneration as a result of such aggregation.

F. TRADE ERROR POLICY

Trade errors may occur either in the (a) investment decision-making process (e.g. a decision may be to purchase a security or an amount of the security that is inconsistent with a client's investment restrictions) or (b) trading process (e.g., a buy order may be executed as a sell or, vice versa, or a security other than that which the portfolio manager ordered may be purchased or sold). It is Capstone's policy to minimize the occurrence of trade errors. Should any trade errors which are attributable to Capstone occur, the firm shall take any steps necessary to put the client in the position it should have been but for the trade error. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the Client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the Client may not be able to receive any gains generated as a result of the error correction. In all situations where the Client does not cause the trade error, the Client will be made whole and any loss resulting from the trade error will be absorbed by Capstone if the error was caused by Capstone. If the error is caused by the custodian, the custodian will be responsible for covering all trade error costs. Capstone will never benefit or profit from trade errors.

ITEM 13: REVIEW OF ACCOUNTS

A. PERIODIC REVIEWS

Capstone will conduct an annual review of client accounts and financial plans to monitor various things, such as third-party portfolio managers' investment performances and asset allocations, suitability, market conditions and more. The reviews also consist of determining whether a client's investment goals and objectives are aligned with Capstone's investment strategies.

The reviews are conducted by Capstone's Managing Partner and IAR, Mr. Ryan.

Additionally, Clients will be offered the opportunity to meet with Mr. Ryan regarding their account(s) at least annually.

B. INTERMITTENT REVIEW FACTORS

Intermittent reviews may be triggered by substantial market fluctuation or market corrections, economic or political events, changes in the client's financial status (such as retirement, termination of employment, relocation, inheritance, etc.) or Client request. Clients are advised to notify Capstone promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions on their account.

C. REPORTS

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. Clients' custodial statements will generally not account for any accrued interest on bonds or dividends payable on mutual funds until one or two days into the following quarter. Additionally, deposits to or withdrawals from a Client's account on the last billing day of the month may not be reflected

on custodian's current statement. These transactions will appear in the following statement reflecting the actual and accurate date of the deposit or withdrawal.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

As indicated at Item 12 above, Capstone, without cost (and/or at a discount), receives support services and/or products from Schwab. There is no corresponding commitment made by Capstone to Schwab 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.

Capstone does not maintain promoter arrangements or pay referral fee compensation to non-employees for new client relationships.

ITEM 15: CUSTODY

A. CUSTODIAN OF ASSETS

Capstone shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. With the exception of Capstone's ability to debit fees, Capstone does not otherwise have custody of the assets in the account. Clients provide written authority to have fees debited from their accounts when they review and sign Capstone's Investment Advisory Agreement. They also provide the custodian with the authority to release fee payments from their accounts when they sign the custodial account application. Clients shall receive monthly account statements from the custodian. The account custodian does not verify the accuracy of the Capstone's advisory fee calculation.

Capstone shall have no liability to the Client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation ("SIPC") or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a custodian.

Certain client accounts subject to Capstone's services may be held at a custodian that is not directly accessible by Capstone ("qualified accounts"). Capstone may, but is not required to, manage these qualified accounts using the Pontera Platform, allowing Capstone to view and manage these assets. To manage qualified assets, you must agree to the Pontera End User Terms and Conditions and Privacy Policy and must further agree to keep Capstone apprised of any changes to your usernames and passwords for qualified accounts so that Capstone can promptly update your credentials using the Pontera system. You also must agree to promptly address any requests to update your login credentials when requested by the Pontera system or Capstone. In the event of any delay by you to update your login credentials, you must acknowledge in your agreement that Capstone will not have access to view or manage your qualified account, which may result in investment losses. Capstone will not be responsible for any losses arising from your delays in updating its login credentials through the Pontera system. Capstone will be under no obligation to credit any fees for valuations made in good faith during periods when Capstone did not have access to any qualified account in calculating its fees under the investment advisory agreement.

B. ACCOUNT STATEMENTS

Although Capstone is the client's adviser, the client's statements will be mailed or made available electronically by the broker-dealer or custodian. When the client receives these statements, they should be reviewed carefully. Clients should compare asset values, holdings, and fees on the statement to that in the account statement issued the previous period.

ITEM 16: INVESTMENT DISCRETION

The Client can determine to engage Capstone to provide investment advisory services on a discretionary basis. In this case, Clients will grant Capstone ongoing and continuous discretionary authority to execute its investment recommendations in accordance with Capstone's Statement of Investment Policy (or similar document used to establish each Client's objectives and suitability), without the Client's prior approval of each specific transaction. Under this discretionary authority, Client allows Capstone to purchase and sell securities and instruments in their account(s), arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on behalf of the Client in matters necessary or incidental to the handling of the account, including monitoring certain assets. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an Investment Advisory Agreement, naming Capstone as the Client's attorney and agent in fact, granting Capstone 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 Capstone on a discretionary basis may, at any time, impose restrictions, in writing, on Capstone'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.).

Clients may also grant Capstone non-discretionary authority to execute its investment recommendations. Non-discretionary authority requires Capstone to obtain a Client's prior approval of each specific transaction prior to executing the investment recommendations.

ITEM 17: VOTING CLIENT SECURITIES

Capstone does not vote Client proxies. 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, decisions and filings relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Furthermore, Capstone will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. Capstone will however, forward to the client any information received by Capstone regarding class action legal matters involving any security held in the client's account.

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. BALANCE SHEET REQUIREMENT

Capstone does not require or solicit prepayment of more than \$1,200 in fees per client, six month or more in advance.

B. FINANCIAL CONDITION

Capstone 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. BANKRUPTCY PETITION

Neither Capstone, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past. Capstone's Chief Compliance Officer remains available to address any questions that a Client or prospective client may have regarding the above disclosures and arrangements.