

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

**Capital Asset Advisory Services, LLC**

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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 any level of skill or training.**

## **Item 2. Summary of Material Changes**

We have made the following material changes to this Form ADV Part 2A Appendix 1 Wrap Fee Brochure since it was filed with the SEC in March 2015:

- We have clarified our arrangement with TD Ameritrade for negotiating commissions in Item 12 – Brokerage Practices.
- We have clarified our recommendation that TD Ameritrade be used for all client accounts, except under certain circumstances in Item 12- Brokerage Practices.
- We have added another custodian Mid Atlantic Capital Group, Inc.
- We have clarified the administrative fee paid to Wealth Advisory Group to perform our back office and compliance functions and the conflict of interest this presents.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you 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.

**Item 3. Table of Contents**

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#### **Item 4. Services, Fees and Compensation**

Capital Asset Advisory Services, LLC is a SEC-registered investment adviser with its principal place of business located in Michigan. Capital Asset Advisory Services, LLC 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

Certain Investment Advisory Representatives of Capital Asset Advisory Services, LLC may offer our services, along with other financial services, under the marketing names Redfield Financial Group, Prout Financial Design, Stites Financial, Northbrook Investment Management, Poterack Capital Advisory, Jay Greer & Co., Peachtree Financial Group, Encore Advisors, Smart Financial and CG Financial Services.

#### **WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program Accounts (“Program Accounts”)**

The WealthMark Program Accounts consist of the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II which are discretionary advisory accounts with Adviser (the "Account"). This means that the Client authorizes Adviser to buy, sell or otherwise trade securities or other investments in the Account without discussing the transactions with Client in advance. Such securities are limited to open-end mutual funds and exchange-traded funds (“ETFs”). Securities selection in WealthMark program allocations falls into two groups. Portfolios including mutual funds with higher minimum investment requirements are called “WealthMark Portfolios”; portfolios including mutual funds with lower minimum investments are called “WealthBuilder Portfolios.” The WealthMark program uses Dimensional Funds and some alternative investments. The WealthMark II and WealthBuilder II programs do not use Dimensional Funds or alternatives as investments. Our investment policy committee manages all WealthMark, WealthMark II, WealthBuilder and WealthBuilder II portfolios on a discretionary basis.

We will assist you in determining your 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 your educational, home ownership and retirement goals and objectives. We may also recommend that you invest in more than one of our model portfolios.

Clients may select from among the following WealthMark, WealthMark II, WealthBuilder and WealthBuilder II:

- WealthMark Tactical Portfolio
- WealthMark/WealthBuilder Conservative Portfolio
- WealthMark/WealthBuilder Moderate Conservative Portfolio
- WealthMark/WealthBuilder Moderate Portfolio
- WealthMark/WealthBuilder Moderately Aggressive Portfolio
- WealthMark/WealthBuilder Aggressive Portfolio
- WealthMark Income Portfolio
- WealthMark Income with Growth Portfolio
- WealthMark Muni Income Portfolio
- WealthMark Non-Qualified Conservative Portfolio
- WealthMark Non-Qualified Moderate Conservative Portfolio
- WealthMark Non-Qualified Moderate Portfolio
- WealthMark Non-Qualified Moderate Aggressive Portfolio
- WealthMark II/WealthBuilder II Conservative Portfolio
- WealthMark II/WealthBuilder II Moderate Conservative Portfolio
- WealthMark II/WealthBuilder II Moderate Portfolio
- WealthMark II/WealthBuilder II Moderate Aggressive Portfolio
- WealthMark II/WealthBuilder II Aggressive Portfolio

The WealthMark Tactical Program Account is based on securities selection and trading signals provided by Dorsey Wright, an unaffiliated firm.

## **WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Outside RIA Program Accounts**

CAAS may also offer our portfolio management wrap fee program WealthMark, WealthMark II, WealthBuilder and WealthBuilder II through other outside registered investment advisers. In this instance, CAAS serves as the portfolio manager and the outside RIA serves as the as the Wrap Fee Sponsor.

### **Non-Program Accounts**

If you want a more customized portfolio than those offered in the WealthMark, WealthMark II, WealthBuilder or WealthBuilder II programs, we provide Non-Program Accounts, in which one of our Investment Adviser Representatives (“IARs”) will individually manage your account. Your account may include individual securities as well as mutual funds and ETFs. Your IAR may recommend the use of Level One option writing if the IAR believes it is appropriate for your needs and is consistent with your tolerance for risk. This investment strategy is described in Item 6 of this Brochure.

Your account can be managed on a discretionary or a non-discretionary basis. In a discretionary account, we will place trades in your account without calling you obtain permission for the specific trades. In a non-discretionary account, we will need to call and obtain your consent to each transaction before we place it. We manage your account on a continuous basis. The investment strategies and securities selections for Non-Program accounts are determined by you and the IAR managing your account, and so advice may differ among similarly-situated clients. You are encouraged to discuss the particular strategies and investments used by the IAR managing your account. Non-program accounts may be offered on a wrap fee basis, but are also available for separate fees and transaction charges.

### **Trading in WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program and Non-Program Accounts**

We do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and best execution may not be achieved.

We suggest that WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program and Non-Program clients execute trades through Mid Atlantic Capital Group, Inc. member FINRA/SIPC or TD Ameritrade Institutional. CAAS 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/NFA (“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. CAAS receives some benefits from Mid Atlantic Capital Group, Inc. and TD Ameritrade through its participation in the Program.

We reasonably believe that in the case of managed accounts, both Mid Atlantic Capital Group, Inc. and TD Ameritrade, Inc.’s blend of execution services, commission and transaction costs as well as professionalism is consistent with our fiduciary duty to the client. We anticipate that most trades will be executed at either Mid Atlantic Capital Group, Inc. or TD Ameritrade; however, in unusual circumstances, we may engage the services of other broker-dealers to execute transactions in thinly-traded ETFs. In this situation, we will absorb the trading costs associated with the use of another broker-dealer.

Generally, we will aggregate orders with respect to a security if such aggregation is consistent with achieving best execution for the various client accounts. When orders are aggregated, each participating account receives 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 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.

We allocate orders among client accounts in a fair and equitable manner. Generally, we allocate accounts with the same or similar investment objective on a pro rata basis according to the size of the accounts. We do not allocate trades on the basis of account performance or the amount or structure of management fees. However, the following factors may justify an allocation that deviates from the general rule:

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.

As mutual fund accounts trade at Net Asset Value, all trades made on the same day will receive the same price. Our trading platform allows individual accounts investing in ETFs to participate in a single aggregated trade; however, accounts of households (several accounts by members of a family whose fees are paid from a single account) may only trade on a household-by-household basis. We have adopted a procedure under which aggregated trades for individual accounts are placed ahead of trades for household accounts. As a result, ETF prices for individual accounts may differ from those of household accounts, and ETF prices may differ among household accounts.

### **Trade Error Policy**

If a trade error results in a loss, CAAS will make the client whole.

If a trade error results in a gain, the net gain will be donated to a charity selected by CAAS.

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

CAAS 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/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade provides certain trading and operational services to the Adviser at no cost. "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 may benefit CAAS. 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 (i.e. the investment adviser representative is acting as the Client's Portfolio Manager) TD Ameritrade may assess more transaction charges which we do not have the ability to negotiate. We reserve the right not to waive these transaction charges at the CCO's sole discretion. This policy is necessary in order to protect the pricing model negotiated for the benefit of the majority of our clients.

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's participation in the program and the investment advice it gives to its Clients, although CAAS 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 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.

TD Ameritrade may also have paid for business consulting and professional services received by CAAS's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit CAAS but may not benefit its Client accounts. These products or services may assist CAAS in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CAAS manage and further develop its business enterprise.

The benefits received by CAAS 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, 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 the CAAS's choice of TD Ameritrade for custody and brokerage services.

CAAS also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include Morningstar. TD Ameritrade provides these Additional Services to CAAS in its sole discretion and at its own expense, and CAAS does not pay any fees to TD Ameritrade for the Additional Services. CAAS and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

CAAS's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to CAAS, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, CAAS's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with CAAS, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, 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 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. In selecting TD Ameritrade Institutional ("TD Ameritrade") as the broker and custodian for certain of its current and future client accounts, CAAS takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to CAAS is \$95,000 (That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade platform will bring fee reductions of up to \$95,000 per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If CAAS does not maintain the relevant level of taxable assets on the TD Ameritrade platform, CAAS may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall.

Although CAAS believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect CAAS' independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

Ameritrade does not supervise CAAS and has no responsibility for CAAS's management of client portfolios or CAAS's other advice or services.

## **Fees**

### **WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program and Non-Program Accounts**

WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program Accounts and Non-Program Accounts are offered on a wrap fee basis, in which you pay an annual advisory fee of up to 2.25%. All WealthMark Accounts will pay an additional annual administrative fee of up to 0.30% to cover costs associated with servicing your 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 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.

We may offer Non-Program Accounts on a wrap fee basis, in which the fee includes brokerage costs such as commissions and ticket charges, or on a fee-only basis, in which case you are charged separately for brokerage costs such as commissions or ticket charges. Please refer to our Form ADV Part 2A Brochure for information about fee-only accounts.

Account minimums for WealthMark and WealthMark II:  
\$50k for Qualified Accounts  
\$100k for Non-Qualified Accounts

Account minimums for WealthBuilder and WealthBuilder II:  
\$25k for Qualified Accounts  
\$50k for Non-Qualified Accounts

We may waive these minimums at our discretion.

We will directly debit the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program fees from your custodial account, unless we agree to bill you directly.

### **Non-Program Accounts**

We may offer Non-Program Accounts on a wrap fee basis, in which the fee includes brokerage costs such as commissions and ticket charges, or on a fee-only basis, in which case you are charged separately for brokerage costs such as commissions or ticket charges. 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 0.30% to cover costs associated with servicing your 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 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.

You or we may terminate the agreement for Non-Program Accounts 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. You 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 your account. Any earned, unpaid fees will be due and payable upon termination.

We will directly debit Non-Program Account fees from your custodial account(s), unless we agree to bill you directly.

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

We generally do not separately offer the services provided under the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Programs. However, you may be able to purchase services similar to those offered under the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II 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, WealthMark II, WealthBuilder and WealthBuilder II, depending on the fees charged by such other service providers.

As noted above, we offer Non-Program Accounts on a wrap fee basis, in which the fee includes brokerage costs such as commissions and ticket charges, or on a fee-only basis, in which case you are charged separately for brokerage costs such as commissions or ticket charges. However, you 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 Non-Program Accounts, depending on the fees charged by such other service providers

In evaluating “wrap fee” investment programs, you 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 Mid Atlantic Capital Group, Inc. or TD Ameritrade, so that we will not seek best price and execution by placing transactions with other broker-dealers. While we anticipate that Mid Atlantic Capital Group, Inc. and TD Ameritrade will be able to obtain best execution with respect to mutual funds and ETF, it is possible that better execution for these and other types of securities may be available through other broker-dealers.

You may wish to satisfy yourself that Mid Atlantic Capital Group, Inc. and TD Ameritrade can provide adequate price and execution of most or all transactions. You should also consider that, depending upon the level of the

wrap fee we charge, the amount of portfolio activity in your 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 and ETFs to their shareholders. 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. You could invest in a mutual fund or and ETF directly, without our services. In that case, you would not receive the services provided by us and/or FWSM which are designed, among other things, to assist you in determining which mutual fund or funds or ETFs are most appropriate to your client's financial condition and objectives. Accordingly, you should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees you are to pay in order to evaluate our advisory services.

The Investment Adviser Representative recommending the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Programs to you receives compensation as a result of your participation in these Programs. The amount of this compensation may be more than what the Investment Adviser Representative would receive if you used our other programs or paid separately for investment advice, brokerage, and other services. The Investment Adviser Representative may, therefore, may have a financial incentive to recommend these Programs over other programs or services.

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

We recommend a minimum account of \$100,000 per family for WealthMark and WealthMark II portfolios and \$50,000 per family for WealthBuilder and WealthBuilder II portfolios. These minimums may be waived at our discretion. We do not have account minimums for Non-Program Accounts.

The WealthMark, WealthMark II, WealthBuilder and WealthBuilder II Program and Non-Program 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 directly manage the WealthMark, WealthMark II, WealthBuilder and WealthBuilder II portfolios. While we offer a Tactical management style based on securities selection and trading signals provided by Dorsey Wright, an unaffiliated firm, we manage these accounts ourselves.

#### **Third Party Asset Management (“TPAM”)**

We also offer access to third party asset managers (“TPAMs”). TPAMs generally provide investment management, reporting and custodial services on a single platform under an investment advisory relationship. We do not offer these programs inside out wrap fee option.

#### **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 may use options as an investment strategy. 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 will 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 will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

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.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **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 of the assets, to forward to the client 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.

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

As previously stated in Item 4 of this Brochure, we will assist you in determining your 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 your educational, home ownership and retirement goals and objectives.

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

We do not impose any restrictions on your ability to contact our firm and our Investment Adviser Representatives.

### **Item 9. Additional Information**

#### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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 WFG Investments (“WFG”) or INVEST Financial Corporation (“IFC”). WFG and IFC are securities broker-dealers (members of FINRA, SIPC) and both are investment advisers registered with the Securities and Exchange Commission. We are in the process of moving our broker-dealer relationship from IFC to WFG, however during this transition, CAAS will have IARs that are registered representatives with one or the other broker-dealer. We will update our brochure once this transition is complete.

In addition, our IARs are also licensed insurance agents. Our IARs may receive compensation for their activities as registered representatives or insurance agents. Approximately 90% of the time of our IARs is spent in connection with these activities.

As registered representatives of WFG or IFC, our IARs may recommend securities or insurance products offered by the broker-dealer, and receive normal 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. Our financial planning, 401(k) and non-discretionary clients are under no obligation to purchase products recommended by the IARs. No client is obligated to place securities transactions or purchase insurance through WFG or IFC.

Under certain circumstances, WFG and/or IFC may collect our investment advisory fee remitted to CAAS by the account custodian, and retain a portion of our fee as a charge to our firm (not to you) for the functions WFG and IFC are required to carry out by FINRA. This fee will not increase execution or brokerage charges to the client or the client’s advisory fee. A portion of the fee retained by WFG or IFC may be re-allowed to other registered representatives of these firms who, as registered representatives of IFC and WFG, are responsible for supervision of other representatives and assisting the firms with the functions described above.

WFG and IFC are registered investment advisers and, where permitted by law, certain of our IARs may also be registered as investment adviser representatives of WFG or IFC. WFG and IFC offer third party separate account management services not offered by our firm. When evaluating the needs of a client for investment advisory services, individuals who are investment adviser representatives of both our firm and WFG or IFC will disclose to the client that services can be provided through either advisory firm and will work with the client to determine whether the services of our firm or WFG or IFC are most appropriate to the client. As the fees charged by our firm may be higher or lower than those charged by WFG or IFC, clients should be aware that in this situation the possibility of receiving greater compensation by recommending one firm over the other presents a potential conflict of interest for the investment adviser representative.

Our owners are also the owners and officers of Capital Asset Insurance Services, Inc., (“CAIS”), a licensed insurance agency in the State of Michigan. Through CAIS, licensed agents can offer insurance products from a variety of product sponsors. Our IARs who are also licensed insurance agents can effect transactions in insurance products and earn the standard and customary commissions for these activities. Our clients may also be 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 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 may 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. You 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. CG Financial Services, Inc. (“CGFS”), an affiliate of CAAS, employs a Community Advisory Board (“CAB”) to advise CGFS on local economic conditions and to assist CGFS in understanding how to better match its services with the needs of its potential client base. CGFS compensates members of the CAB between \$1,200 and \$2,000 per year for serving on the CAB. Certain members of CAB are also advisory clients of CAAS. This presents a potential conflict of interest in that CAAS may have an incentive to favor CAB members over other adviser clients. It is CAAS’s policy to never favor the interest of one client over another.

We take the following steps to address these conflicts:

- we 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;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we 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 to the client's needs and circumstances;
- we 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;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we 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.

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 for the WealthMark accounts
- Paying salary for Portfolio Manager for WealthMark
- Paying trading costs for WealthMark client accounts
- 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

In addition, WAG provides the following administrative services to unaffiliated investment adviser firms:

- Compliance assistance
- 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 your 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:

- we 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;
- we disclose to clients that they are not obligated to purchase recommended investment products from our

employees or affiliated companies;

- our firm's management conducts regular reviews of the services provided by WAG to determine if they remain cost effective and provide the appropriate level of support to be compliant and to service the needs of CAAS's clients and investment adviser representatives.

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

Our officers, employees and IARs may 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 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 IFC, 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. (1) (2)
2. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
3. 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.
4. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to termination.

#### **Notes:**

(1) 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.

(2) 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 or 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.

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 will provide a complete copy of its Code of Ethics to any client or prospective client upon request to the Chief Compliance Officer at CAAS' principal address.

### **Review of Accounts**

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

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

We only change the securities and allocations in Tactical portfolios when we receive recommendations from the independent research provider. Your account is reviewed at least annually by the Investment Adviser Representative responsible for your account.

**Non-Program Accounts:** We continuously review the securities held in Non-Program Accounts. Your account is reviewed quarterly. Your account is reviewed by the Investment Adviser Representative responsible for your account. More frequent reviews may be triggered by material economic, political or market events, or by changes in your financial situation.

## **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. Clients may also be able to review their portfolio performance online.

We will provide additional reports to clients as contracted for at the inception of the advisory relationship.

## **Client Referrals and Other Compensation**

### **Client Referrals**

Our firm may pay 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, WealthMark II, WealthBuilder or WealthBuilder II Program. However, we do receive benefits through our recommendation of Mid Atlantic Capital Group, Inc. or TD Ameritrade for custody and brokerage services. Please refer to Item 4 of this Brochure for more information.

Our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

As disclosed under Item 4 above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services.

## **Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 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.