

# **CAPITAL PORTFOLIO MANAGEMENT INC.**

## **FIRM BROCHURE (ADV PART 2A)**

**JUNE 29, 2023**

***Capital Portfolio Management Inc.  
9515 Deereco Rd., Suite 1010  
Timonium, MD 21093  
Phone: (410) 667-4575  
Fax: (410) 667-4926  
Website: [www.cpminvestments.com](http://www.cpminvestments.com)***

This brochure provides information about the qualifications and business practices of Capital Portfolio Management, Inc. If you have any questions about the contents of this brochure, please contact Patrick Dyer at (410) 667-4575. 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.

Capital Portfolio Management, Inc. is a registered investment adviser. Registration of an Investment Advisor does not imply any level of skill or training. The written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Capital Portfolio Management, Inc. is available on the SEC's website [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 Advisor's CRD number is 29302.

## **2. MATERIAL CHANGES**

We have no material changes to report since our firm's last annual update on June 30, 2021.

## **TABLE OF CONTENTS**

<b>Item 1. Cover Page .....</b>	<b>1</b>
<b>Item 2. Material Changes.....</b>	<b>2</b>
<b>Item 3. Table of Contents.....</b>	<b>3</b>
<b>Item 4. Advisory Business .....</b>	<b>4</b>
<b>Item 5. Fees and Compensation .....</b>	<b>7</b>
<b>Item 6. Performance-Based Fees and Side-By-Side Management .....</b>	<b>8</b>
<b>Item 7. Types of Clients .....</b>	<b>8</b>
<b>Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>9</b>
<b>Item 9. Disciplinary Information.....</b>	<b>10</b>
<b>Item 10. Other Financial Industry Activities and Affiliations.....</b>	<b>10</b>
<b>Item 11. Code of Ethics .....</b>	<b>11</b>
<b>Item 12. Brokerage Practices .....</b>	<b>12</b>
<b>Item 13. Review of Accounts.....</b>	<b>12</b>
<b>Item 14. Client Referrals and Other Compensation .....</b>	<b>13</b>
<b>Item 15. Custody .....</b>	<b>13</b>
<b>Item 16. Investment Discretion.....</b>	<b>13</b>
<b>Item 17. Voting Client Securities .....</b>	<b>13</b>
<b>Item 18. Financial Information.....</b>	<b>14</b>
<b>Item 19. Requirements for State-Registered Advisers.....</b>	<b>14</b>

#### 4. ADVISORY BUSINESS

##### A. OWNERSHIP/ADVISORY HISTORY

Capital Portfolio Management, Inc. (“the Advisor”) was established as a Maryland corporation in August 1991. It was subsequently registered as a Maryland broker-dealer in March 1992 and Maryland investment adviser in 2013. The Advisor’s common stock is owned by Patrick V. Dyer and Steven W. Middleton. The Advisor’s preferred stock is owned Gerald L. Bathurst, Lavena R. Taylor, George A. Abendschoen, Rosemary A. Bathurst, Virginia L. Burgstiner, Mary K. Eiswert, Kristin, W. Middleton, Steven W. Middleton, Louis F. Fries and Mary Russell. The Advisor’s President and Chief Compliance Officer is Patrick V. Dyer (“Mr. Dyer”). Additional information about Mr. Dyer can be found under Item 19 – Requirements for State-Registered Advisers.

##### B. ADVISORY SERVICES OFFERED

Before the Advisor enters an Adviser/Client relationship, it may offer a complimentary general consultation to discuss services available, give a prospective client time to review services desired, and determine whether a relationship might benefit the client. Investment advisory services begin only after the Advisor formalizes the relationship with the client through a properly executed agreement. The Advisor offers the following services to its clients:

###### 1. PORTFOLIO MANAGEMENT SERVICES

The Advisor’s portfolio management services involve assisting with the ongoing management of investment accounts. The Advisor works with the client to formulate an individualized portfolio based upon his or her objectives, time frame, risk parameters and other investment considerations. Once the Advisor have this information it creates an individualized portfolio for the client. The client’s portfolio is unique to the client and no two clients have the same portfolio. The Advisor regularly monitors the client’s portfolio and adjust it as determined by the stock market and world events.

###### 2. QUALIFIED PLAN CONSULTING SERVICES

The Advisor provides various services to qualified plans. The Adviser and plans will negotiate which services the plan needs based on the following menu of available services.

##### **ERISA Non-Fiduciary Services**

**Education Services to Plan Committee:** The Advisor may provide training for the members of the Plan Committee (or those designated by the Responsible Plan Fiduciary) about their service on the Committee, including guidance with respect to fiduciary duties, at times mutually agreeable to the parties. The Advisor will not render individualized investment advice and will not be held to an ERISA fiduciary standard for services rendered hereunder.

**Participant Education Services:** The Advisor may conduct initial and/or periodic [annual, semi-annual or quarterly] enrollment and informational meetings with employees and Participants and provide investment education. In accordance with the Department of Labor’s Interpretative Bulletin 96-1, the Advisor may provide information about the Plan, general financial and investment information and information and materials relating to asset allocation models available

through the Plan. The Advisor may also provide interactive investment materials to assist Participants in assessing their future retirement income needs and the impact of different asset allocations on retirement income.

**Third Party Product or Service:** The Advisor may use a benchmarking product or service to compare the Plan's fees and expenses with other plans. This service will be for comparative purposes only and it will not be held to an ERISA fiduciary standard.

**Plan Search Support:** The Advisor will manage the preparation, distribution and evaluation of Request for Proposals, finalist interviews, and conversion support. The Advisor will not render individualized investment advice and will not be held to an ERISA fiduciary standard for services rendered hereunder.

### **ERISA Non-Discretionary Fiduciary Services**

**Investment Policy Statement:** The Advisor may assist the client in developing a formal, written Investment Policy Statement ("IPS") or it may review and recommend amendments to the client relating to the existing IPS. The IPS may contain the standards and processes for selecting and monitoring Plan investments, and will set forth the number of general investment options and asset class categories to be offered to Plan participants with a goal of providing a menu of investments that will allow for the creation of well-diversified portfolios through a mix of equity and fixed income exposures. The IPS is subject to the final approval of client, and the Advisor does not guarantee that client will achieve the investment objectives in the IPS.

**Investment Recommendations & Performance Monitoring:** The Advisor will review the investment options available through the Plan and will provide recommendations to the client to assist the client in selecting the "core" investments to be offered to Plan participants, including the Plan's QDIAs if applicable, that meet the criteria set forth in the Plan's investment policy statement ("IPS") that has been approved by the client. The Advisor may provide reports on a regular basis that are designed to assist the client in monitoring the core investment options and may provide recommendations to assist the client in removing and replacing investments that no longer meet the IPS criteria.

**Selection of Qualified Default Investment Alternative:** The Advisor may recommend to client an investment fund product or model portfolio meeting the definition of a QDIA in ERISA Regulation 2550.404c-5(e)(3). The QDIA shall be reflected in the IPS. Client retains the sole responsibility to provide all required notices to Participants as required under ERISA section 404(c)(5). The Advisor makes no representations that the Plan will otherwise be compliant with section 404(c).

*For ERISA Non-Discretionary Fiduciary Services rendered hereunder, the Advisor acknowledges that it will be acting as a fiduciary to the plan pursuant to ERISA and the Investment Advisers Act of 1940.*

### **Discretionary Investment Management Services:**

**Investment Management Services:** The Advisor will have discretionary investment authority to direct the core investments to be offered to Plan participants in a manner that is consistent with the

criteria set forth in the Plan's investment policy statement ("IPS") that has been approved by the client. Such authority will include that necessary to select, monitor, remove, and replace all investment alternatives which constitute the core investment menu. In the event that the Advisor provides instructions directly to the plan's record-keeper or third-party administrator with regard to the removal, or replacement of investments, the Advisor will provide the client with a report containing the basis for those decisions.

In rendering Investment Management Services or any other ERISA Discretionary Fiduciary Service selected below, the Advisor will act as an ERISA fiduciary and will serve as an investment manager as defined in Section 3(38) of ERISA, and as a fiduciary under the Investment Advisers Act. The Advisor will retain final decision making authority with regard to all ERISA Discretionary Fiduciary Services, and the Plan fiduciaries remain responsible for demonstrating that the Advisor was prudently selected and monitored.

**Non-Fiduciary ERISA Services:**

**Review of Fiduciary Liability Insurance Coverage:** The Advisor may work with qualified insurance professionals to review client's fiduciary liability coverage. The Advisor may assist the client in obtaining additional or replacement insurance if necessary.

**Monitoring of Qualified Fiduciary:** The client is responsible as a Plan fiduciary for selection of the Advisor as a Plan fiduciary, and for monitoring the performance of the Advisor. To facilitate this responsibility, the Advisor may provide client with a structure for the annual review and monitoring of the Advisor as a Plan fiduciary.

**Participant Advice:** The Advisor may meet with Plan participants that seek to engage the Advisor for Participant Advice services to gather information concerning their retirement investments, time horizon, risk tolerance and investment goals. The Advisor may review the information and generate individualized investment advice that may include a recommendation to invest in a particular model portfolio, CIF or percentages to be allocated among a number of the Plan's core investment options. The Advisor may not provide recommendations on investments held outside of the plan, and the Plan participant retains the sole responsibility to implement the recommendations and to update the Advisor as to personal financial information. The Advisor does not guarantee that the Plan participants' investment objectives will be achieved. Participant Advice will be delivered as an ERISA Non-Discretionary Fiduciary Service.

**C. TAILORED SERVICES**

The Advisor allows clients to impose restrictions on investment in certain securities or types of securities. All restrictions must be presented in writing.

**D. WRAP PROGRAM**

The Advisor does not sponsor a wrap program.

**E. CLIENT ASSETS MANAGED**

As of May 2023, the Advisor manages \$10,500,000 in client assets on a non-discretionary basis.

## **5. FEES AND COMPENSATION**

### **A. PORTFOLIO MANAGEMENT SERVICES**

The Advisor's management fee for portfolio management services is based on a percentage of assets management. The annual management fee is calculated and collected monthly in arrears (at the end of each month). The management fee is based on the account's custodian reported value as of the last business day of the month. The management fee ranges from .35% to 1.50%. The management fee is negotiable depending on the size of the account. A client may aggregate multiple account to negotiate a lower fee. Cash balances and investments in money market funds, demand deposit accounts, and certificates of deposit that are covered by the account and are included in the fee calculations.

The client will be asked to allow the firm to deduct its management fee will be directly from the client's account. The client may terminate this ability at any time by notifying the adviser or by notifying the custodian. Please see Item 15 for additional information about the fee invoice process. Also, the amount of the fee charged will be viewable as account activity in the monthly statement.

The Advisor's management fee is exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisers or other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Advisor's management fee and the Advisor does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **B. QUALIFIED PLAN CONSULTING SERVICES**

The Advisor's management fee for qualified plan consulting services are based on a percentage of assets under management. The annual fee ranges from .35% to 1.00%. The fee is negotiable based upon the size of the qualified plan and the services selected from the menu provided in Item 4. The fee is collected quarterly in arrears. The fee will be calculated based on the custodian reported account value as of the last day of each quarter. Fees will be prorated for any partial quarters.

To pay the fee, the client will have the option to pay by invoice or have the fee directly withdrawn from the plan. To pay by invoice the Advisor will provide an invoice to the client within ten business days of the end of the calendar quarter. The fees will be due upon receipt of the notice sent from the Advisor. To pay the fee by direct withdrawal, the client will be asked to authorize the Adviser to request direct fee withdrawal from client's custodian and for the custodian, Investment Provider or other authorized third party to pay the fees due the Advisor upon receipt

of the billing notice sent by the Advisor. A quarterly statement setting forth the fees deducted from the client's account will be provided by one of these parties.

The Advisor's fees are also exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee and we will not receive any portion of these commissions, fees, and costs. Please see Item 12 for more information on the Advisor's brokerage recommendations.

The Advisor is a registered broker dealer and its owner and investment adviser representatives are registered representatives who can sell securities and other investment products for a commission. The commissions are separate from the fees described above. Please note that the Advisor and its supervised persons have an incentive to recommend investment products based on the compensation received, rather than on a client's needs; and (2) clients have the option to purchase investment products that the Advisor and its supervised persons recommend through other brokers or agents that are not affiliated with the Advisor.

A client may terminate the investment management services for any reason within the first five (5) business days after signing the Investment Advisory Services Agreement without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving thirty (30) days written notice. To cancel the Agreement, the client must notify the Advisor in writing at Capital Portfolio Management, Inc, 9515 Deereco Rd., Suite 1010, Timonium, MD 21093.

#### RETIREMENT ROLLOVER CONFLICTS OF INTEREST

When Adviser provides investment advice to clients regarding their retirement plan account or individual retirement account, Adviser is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way Adviser makes money creates some conflicts of interest with the client's interests, so the Adviser operates under a special rule that requires the Adviser to act in the client's best interest and not put the Advisers interests ahead of the client.

#### **6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

The Advisor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **7. TYPES OF CLIENTS**

The Advisors services are offered to pension and profit sharing plans along with their participants. The Advisor does not require a minimum account size to become a client.



## 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

With respect to the Advisor's services, it uses an individualized asset allocation method for each client. When deciding on the asset allocation for a client, the Advisor takes into account the client's risk tolerance, goals, investment objectives and other data gathered during the client meetings. Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The risk associated with asset allocation is that each class has different levels of risk and return, so each will behave differently over time. Also, despite being diversified there is no guarantee that an account will grow.

### B. RECOMMENDED SECURITIES AND INVESTMENT RISKS

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear.** While the Advisor uses investment strategies that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. The client should feel free to ask questions about risks he or she does not understand. The Advisor would be pleased to discuss them.

The Advisor strives to render its best judgment on behalf of its clients. Still, the Advisor cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. The Advisor continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond its control can affect the performance of an investment portfolio.

The Advisor uses several types of securities in client portfolios including, but not limited to, mutual funds, including inverse and leveraged mutual funds, exchange traded funds, stocks, bonds, and preferred securities. Some of the risk associated with these securities include:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the Firm, depending on the amount of Client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the Client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value

because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of your investment and/or the future purchasing power of your assets.
- **Liquidity Risk:** Liquidity risk exist when particular investments are difficult to purchase or sell, possibly preventing the ability to sell such illiquid securities at an advantageous time or price, or possibly requiring the client to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.

## 9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Advisor or the integrity of its management.

In December 2006, the Adviser consented to a sanction from the National Association of Securities Dealers, which is now the Financial Industry Regulatory Authority. The sanction related to the action of one registered representative of the firm who purchased securities for the Adviser's account from another broker-dealer while failing to sell/buy the same security from a customer. The Adviser consented to a censure, paid restitution of \$2,134 and a fine of \$24,000. It also was required to revise its written supervisory policies and procedures regarding fair pricing and markups.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. BROKER-DEALER AFFILIATIONS

As disclosed in Item 4, the Adviser is a registered broker-dealer and its investment adviser representatives are also registered representatives who can sell securities individually. The amount of time spent on this activity varies with each person and is disclosed in his/her ADV Part 2B. The sale of securities as a registered representative is considered investment related and the purchase of securities products may be recommended to a client. This activity pays commissions that are separate from the fees described above. With the ability to work as a client's registered representative and investment adviser representative, this could be viewed as a conflict of interest because of the separate fees or commissions. However, the Advisor and its representatives attempt to mitigate any conflicts of interest to the best of their ability by placing the client's interests ahead of their own and through the implementation of policies and procedures that address the conflict. Additionally, it is the Advisor's policy that recommended securities purchases or other investment

adviser services do not have to be purchased through it or any of its investment adviser representatives.

**B. FUTURES/COMMODITIES FIRM AFFILIATION**

The Advisor is not affiliated with a futures or commodities broker.

**C. OTHER INDUSTRY AFFILIATIONS**

Some of the Advisor's investment adviser representatives may be independent insurance agents. As insurance agents they may recommend these services to the Advisor's clients. This other business activity pays the representatives commissions that are separate from the fees described above. This is a conflict of interest because the commissions give the representatives a financial incentive to recommend and sell clients the insurance products. However, the representatives attempt to mitigate any conflicts of interest to the best of their ability by placing the client's interests ahead of their own, through their fiduciary duty and by informing clients that they are never obligated to purchase recommended insurance through our representatives.

**D. SELECTION OF THIRD PARTY INVESTMENT ADVISERS**

The Advisor's services do not include the Recommending of Third Party Investment Advisers.

**11. CODE OF ETHICS**

**A. DESCRIPTION**

The Advisor's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The Advisor will provide a copy of its Code of Ethics to any client or prospective client upon request.

The Advisor's Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Advisor must acknowledge the terms of the Code of Ethics annually, or as amended.

**B. MATERIAL INTEREST IN SECURITIES**

The Advisor does not have a material interest in any securities.

**C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES**

The Adviser and its investment adviser representatives do not invest in or recommend the same securities that are recommended to clients. Records of all associates' proprietary trading activities will be kept, available to regulators to review on the premises.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDATION CRITERIA**

The Advisor currently recommends the clearing and custody services of National Financial Services for portfolio management service clients or Hilltop Securities, Inc. and Vanguard or American Funds for qualified plan consulting clients. Some of the primary considerations in determining reasonableness of commissions are: rates charged by other brokers that provide clearing or custody services for registered investment advisers; reputation and financial strength; breadth and depth of available products, with an important factor being the broker's no-transaction-fee mutual fund universe; accuracy with which transactions are processed; customer service responsiveness; availability of technology solutions interoperable with our systems and suitable for managing multiple accounts; as well as client satisfaction. The Advisor periodically evaluate the foregoing factors, and while it may conclude based on reviews that commission rates paid by clients are reasonable, lower commissions may be available from other brokers or in conjunction with retail (non-advisory) accounts, and certain mutual funds that carry a transaction fee may be available on a no-transaction-fee basis from other brokers or directly from the fund company.

#### **i. RESEARCH AND SOFT DOLLARS**

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. The Advisor does not receive "soft dollars" from any vendor, service provider or custodian.

#### **ii. BROKERAGE FOR CLIENT REFERRALS**

The Advisor does not receive client referrals or any other incentive from any broker-dealer or custodian.

#### **iii. DIRECTED BROKERAGE**

The Advisor does not allow for directed brokerage services.

### **B. TRADE AGGREGATION**

The Advisor does not trade client accounts. Therefore, it does not aggregate or block trade securities.

## **13. REVIEW OF ACCOUNTS**

### **A. PERIODIC REVIEWS**

The Advisor's owner, Patrick Dyer, reviews client accounts on a semiannual basis.

### **B. OTHER REVIEWS**

Reviews may also be triggered by events within client's lives, as well as pertinent news events, changes in federal and state regulatory or tax regimes, and overall economic events.

### **C. REPORTS**

Clients will receive quarterly statements from the qualified custodian.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. OTHER COMPENSATION**

The Advisor does not receive extra compensation or any other economic benefit for providing investment advice or other advisory services to clients.

### **B. CLIENT REFERRALS**

The Advisor does not pay for client referrals or use solicitors.

## **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians. However, the client will be asked to authorize the Advisor with the ability to deduct its management fee directly from the client's account. The client may terminate this authorization at any time. When deducting the management fee, the Advisor will send each client a fee invoice that details the fee amount deducted, the account balance that the management fee was based upon, the period of time the management fee covers, and how the management fee was calculated. Clients will also receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. The statements will show the fee withdrawn. The Advisor urges each client to carefully review such statements and compare them to the fee invoice received from the Advisor.

## **16. INVESTMENT DISCRETION**

The Advisor's services are discretionary and non-discretionary. With discretionary investment management services, the client will sign a client investment management agreement that includes a limited power of attorney. This agreement grants the Advisor discretionary power over the account, which means the Advisor can place trades, buy or sell securities of any type and in amounts it deems to be appropriate for the account. The Advisor does this without obtaining the client's prior consent to each trade.

With non-discretionary services, the client will retain full discretion to supervise, manage, and direct the assets of the account. The client will be free to manage the account with or without the Advisor's recommendation and all with or without the Advisor's prior consultation.

## **17. VOTING CLIENT SECURITIES**

The Advisor does not vote proxy votes for any client. All proxy solicitation materials will be sent directly to the client from the custodian. Any proxy solicitation materials received by the Advisor will be forwarded to clients for response and voting. In the event a client has a question about a proxy solicitation, the client should contact his/her investment adviser representative.

## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

The Advisor does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

### **B. FINANCIAL CONDITION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Advisor's financial condition. Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. Neither Capital Portfolio Management, Inc. nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients. However, we were eligible for and participated in the Paycheck Protection Program ("PPP") available as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act that designated billions of dollars in SBA loans to help support small businesses and independent contractors. The loan is potentially forgivable (essentially making it a grant) so long as the money is used for designated expenses, which includes maintaining staff and compensation at the levels they were prior to impact of COVID-19 as well as to make other permissible payments during the eight weeks after receiving the loan. Please contact us if you have any questions about our participation in the PPP program.

### **C. BANKRUPTCY**

The Advisor, its owner and its investment adviser representatives have not been the subject of a bankruptcy proceeding.

## **19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

The Advisor has one executive officer, Patrick V. Dyer. Mr. Dyer's biographical information is provided in the attached Brochure Supplement.

Under Other Industry Affiliations (Item 10) above, Mr. Dyer discloses he is a registered representative and an independent insurance agent. These activities and any conflicts of interest associated with them are discussed in Item 10 and his Brochure Supplement.

Mr. Dyer is also required to disclose additional information if he receives performance-based fees, has any relationship or arrangement with an issuer of securities, or was ever found liable in an arbitration, civil, self-regulatory organization or administrative proceeding. As none of these apply to Mr. Dyer and he has no information to provide on these topics.