

February 10, 2020



Form A D V Part 2A

CAPITAL INVESTMENT MANAGEMENT, Inc.

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This brochure provides information about the qualifications and business practices of Capital Investment Management, Inc. If you have any questions about the contents of this brochure, please contact us at (410) 997-6755. The information in this brochure has not been approved or verified by the United Securities and Exchange Commission or by any state securities authority.

Capital Investment Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## Item 2 Material Changes

This Item discusses only specific material changes that are made to this Brochure since the date of its last annual updating amendment, and provides clients with a summary of such changes. The date of our last annual update of our Brochure was February 11, 2019. Since that date, there have been no material changes to identify or discuss. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Maureen McShane, Chief Compliance Officer, at 410-997-6755 or [maureen@capitalmanage.net](mailto:maureen@capitalmanage.net). Additional information about Capital Investment Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Capital Investment Management who are registered, or are required to be registered, as investment adviser representatives of Capital Investment Management.

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#### Item 4 - Advisory Business

Capital Investment Management, Inc. ("CIM") was established on January 14, 1991 and provides investment supervisory services through investment adviser representatives ("IARs") by giving investment advice to clients based on the individual needs of those clients. Maureen McShane is the principal owner of CIM.

Investment Management: CIM provides ongoing discretionary investment management services to its clients based upon each client's current financial condition, investment objectives, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of clients' account(s). CIM generally recommends that clients fulfill their investment objectives by allocating their assets across a diversified risk-based portfolio of mutual funds. This portfolio is rebalanced periodically to remain in-line with the client's agreed-upon asset allocation, though the asset allocation may be changed from time to time based on changes to a client's specific situation.

Recommendation of Other Investment Advisers: For certain clients, CIM recommends the retention of an independent and unaffiliated third-party investment adviser to provide advisory and administrative services: Buckingham Strategic Partners. Buckingham Strategic Partners is a turnkey asset management provider, and is compensated directly by clients for the services it provides, including model portfolio construction, transaction processing, custodial engagement, back-office support, quarterly reporting, fee-debiting, and educational conference hosting. Both CIM and Buckingham Strategic Partners share responsibility for managing and administering client accounts.

Financial Planning: IARs may also recommend and/or evaluate investments through consultations not involving ongoing investment supervisory services or portfolio management services. Such financial planning services do not involve discretionary investment management or the retention of an independent investment adviser. Clients may impose restrictions on investing in certain securities and types of securities with written notice to CIM so long as such restrictions can be reasonably implemented by CIM.

IARs also furnish advice to clients regarding insurance products.

In general, IARs must have extensive experience in investments and/or portfolio management and preferably an educational background which provided them with an understanding of business and finance. Also, associated persons are required to have displayed a high degree of integrity and show commitment to providing quality service.

CIM does not have an investment committee, though the chief compliance officer, Maureen McShane, is responsible for reviewing and approving recommendations

made to clients.

CIM does not participate or sponsor any wrap fee programs.

As of 12/31/2019, CIM manages \$40,796,568 in client assets on a discretionary basis and \$0 on a non-discretionary basis.

Item 5 - Fees and Compensation

CIM's fees are based upon a percentage of the total market value of the client's assets under CIM's management. Currently, that fee is calculated and billed in advance on a quarterly basis with the following scale:

<b>Client Assets Under Management</b>	<b>Annual Fee Rate (Charged Quarterly)</b>
0 - \$1,000,000	1.0%
Above \$1,000,000	Negotiable

Initial fees are calculated on the total market value of assets under management as determined as of the close of business on the date preceding the effective date of the clients' advisory agreement with CIM. Thereafter, fees shall be determined as of the close of business as of the last business day in each calendar quarter. The initial fee will be prorated by the number of days the account will be managed by CIM in the initial quarter to the number of days within that quarter.

CIM obtains written authorization from the client to deduct advisory fees from client accounts and concurrently sends the qualified custodian notice of the amount of the fee to be deducted from a client's account, and sends the client an invoice itemizing the fee, including the formula to calculate the fee, the amount of assets under management upon which the fee is based, and the time period covered by the fee. The custodian sends statements, on at least a quarterly basis, to the client showing all disbursements for the custodian account, including the amount of the advisory fees.

The specific manner in which fees are charged by CIM is established in a client's written agreement with CIM. Clients authorize CIM to have Buckingham Strategic Partners directly debit fees from client accounts on the first day of the quarter. Fees are payable in advance of the quarter in which advisory services are provided. In the event a client makes a deposit of \$10,000 or more during a particular quarter, such client will be billed a pro-rata management fee based on the remaining number of the days in such quarter. Conversely, in the event a client makes a withdrawal of \$10,000 or more during a particular quarter, such client will be refunded a pro-rata management fee based on the remaining number of days in such quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded to the client's account and any earned, unpaid fees will be due and payable. Should either CIM or client seek to terminate the advisory relationship, upon at least thirty days prior written notice, fees paid in advance will be prorated to the date of termination, and any unused

portion thereof shall be returned to the client.

Other advisory services, including investment consulting services, securities or insurance portfolio analyses are offered on an hourly fee basis, which minimum charge is currently \$150.00 per hour, payable in arrears at the time the bill is rendered for services performed.

CIM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment 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 CIM's fee, and CIM shall not receive any portion of these commissions, fees, and costs. Buckingham Strategic Partners also charges CIM clients an additional administrative fee for its services as described in the written agreement between the client and CIM. It should be noted, however, that Buckingham Strategic Partners' administrative fee does not apply to CIM clients invested into shares of the SA Funds – Investment Trust, a family of mutual funds advised, administered, and serviced by Buckingham Strategic Partners.

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

#### Item 6 - Performance Based Fees and Side-By-Side Management

CIM 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).

#### Item 7 - Types of Clients

CIM provides portfolio management services to individuals and high net worth individuals. This includes trusts, estates, 401(k) plans and IRAs of individuals and their family members. There is no minimum account size to open or maintain an account with CIM.

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

The investment strategies used by CIM when formulating investment advice and managing client assets include implementation of Modern Portfolio Theory. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance does not guarantee future returns.

CIM has access to software tools that assist in analyzing client portfolios. Such software is based on Modern Portfolio Theory. Modern Portfolio Theory attempts to balance a portfolio's risk and return level based on a particular client's risk tolerance and investment objectives. Additional research issued in conjunction with the asset allocation software provides clients with access to risk tolerance assessments, efficient frontier plotting, fund profiling and performance data, as well as portfolio optimization and re-balancing tools.

Like any investment strategy, implementing Modern Portfolio Theory involves material risks. Investing for the long-term means that a client's account will be exposed to short-term fluctuations in the market and the behavioral impulse to make trading decisions based on such short-term market fluctuations. CIM does not condone short-term trading in an attempt to "time" the market, and instead coaches clients to remain committed to their financial goals. However, investing for the long-term can expose clients to risks borne out of changes to interest rates, inflation, general economic conditions, market cycles, geopolitical shifts, and regulatory changes.

Investing in mutual funds does not guarantee a return on investment, and shareholders of a mutual fund may lose the principal that they've invested into a particular mutual fund. Mutual funds invest into underlying securities that comprise the mutual fund, and as such clients are exposed to the risks arising from such underlying securities. Mutual funds charge internal expenses to their shareholders (which can include management fees, administration fees, shareholder servicing fees, sales loads, redemption fees, and other fund fees and expenses, e.g.), and such internal expenses subtract from its potential for market appreciation. Shares of mutual funds may only be traded at their stated net asset value ("NAV"), calculated at the end of each day upon the market's close.

#### Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CIM or the integrity of CIM's management. CIM has no information applicable to this Item.

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

Neither CIM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither CIM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

CIM's sole IAR, Maureen McShane, is licensed to sell insurance. From time to time

and when appropriate for a client, she retains the discretion to recommend that a client purchase a particular insurance product and will generally earn a form of insurance commission as a result. This creates a conflict of interest to the extent that Maureen McShane will receive the insurance commission in addition to any advisory fees that the client may already be paying. CIM addresses this conflict of interest by fully disclosing it in this Brochure, by only recommending insurance products that are in the best interests of clients, and by advising clients that they are under no obligation to purchase any insurance product whatsoever (whether from herself or otherwise).

As a fiduciary, CIM has certain legal obligations, including the obligation to act in clients' best interest. CIM maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel due to disability or death. To that end, CIM has entered into a succession agreement with Buckingham Strategic Wealth, LLC as of April 2019. CIM can provide additional information to any current or prospective client upon request.

#### Item 11 - Code of Ethics

CIM has adopted a Code of Ethics for all supervised persons of the firm describing 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 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 CIM must acknowledge the terms of the Code of Ethics annually, or as amended.

Neither CIM nor any of its related persons recommends to clients, or buys or sells for client accounts, securities in which CIM or any of its related persons has a material financial interest.

Subject to satisfying this policy and applicable laws, officers, directors and employees of Capital Investment Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for CIM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CIM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of CIM's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that

employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CIM and its clients. Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with CIM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. CIM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specifies in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

CIM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Maureen McShane.

It is CIM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. CIM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker- dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as both broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

#### Item 12 - Brokerage Practices

CIM considers several factors when recommending a custodial broker-dealer for client transactions and determining the reasonableness of such custodial broker-dealer's compensation. Such factors include the custodial broker-dealer's industry reputation and financial stability, service quality and responsiveness, execution price, speed and accuracy, reporting abilities, and general expertise. Assessing these factors as a whole allows CIM to fulfil its duty to seek best execution for its clients' securities transactions. However, CIM does not guarantee that the custodial broker-dealer recommended for client transactions will necessarily provide the best possible price, as price is not the sole factor considered when seeking best execution. After considering the factors above, Adviser recommends Fidelity Institutional Wealth Services ("Fidelity") as the custodial broker-dealer for client accounts.

CIM is independently owned and operated and not affiliated with Fidelity. Fidelity provides CIM with access to institutional trading and custody services. CIM isn't required to commit to any specific amount of business (assets in custody or trading).

Fidelity's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Fidelity does not charge separately for custody, but is generally compensated by account holders through other transaction-related fees for securities trades executed through Fidelity or that settle into client accounts.

Fidelity also makes available to CIM other products and services that benefit CIM but may not benefit client accounts. Some of these other products and services assist CIM in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of CIM's fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting. Many of these services will generally be used to service all or a substantial number of CIM's accounts. Fidelity also makes available to CIM other services intended to help CIM further develop its business. These services can include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Fidelity retains the discretion to make available, arrange and/or pay for these types of services rendered to CIM by independent third parties. Fidelity also retains the discretion to discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to CIM.

The receipt of these products and services creates a conflict of interest to the extent it causes CIM to recommend Fidelity as opposed to a comparable custodial broker-dealer. CIM addresses this conflict of interest by fully disclosing it in this brochure, evaluating Fidelity based on the value and quality of its services as realized by clients, and by periodically evaluating alternative broker-dealers to recommend.

Notwithstanding such economic benefits, CIM strives to serve the best interest of its clients. Factors considered in selecting Fidelity include relationships with CIM, financial strength, reputation, reporting, execution pricing and research. CIM does not warrant or represent that commissions for transactions implemented through Fidelity are lower than commission available if clients use another brokerage firm. Further, these fees are exclusive of, and in addition to, CIM's investment management fees. Clients also incur charges imposed at the mutual fund level (e.g. management fees, early redemption fees, and other fund expenses). CIM believes, however, that the overall level of services and support provided to clients by Fidelity outweighs the potentially lower transactions cost available under other brokerage arrangements.

Advisor has full discretion to determine the interests in investment funds to be bought or sold and the amount of such interests to be bought or sold. Though CIM does not have discretion to select the broker-dealer used for equity purchases and sales, it recommends a broker-dealer in an effort to seek best execution of these transactions.

CIM does not consider, in selecting or recommending custodial broker-dealers, whether it or a related person receives client referrals from a custodial broker-dealer or third-party.

CIM does not routinely recommend, request, or require that a client direct it to execute transactions through a specified custodial broker-dealer.

#### Item 13 Review of Accounts

Maureen McShane, CEO of CIM is in the practice of reviewing accounts with clients on at least a quarterly basis. A quarterly review is offered to the client at the initial onset of the account going forward. A written or verbal update is also offered quarterly. Such reviews are designed to ensure that the client is still on track to achieve his or her financial goals, and that the investments remain appropriate given the client's risk tolerance, investment objectives, major life events, and other factors. Clients are encouraged to proactively reach out to CIM to discuss any changes to their personal or financial situation. CIM will review a client's account upon request and as needed.

Other factors that may trigger a review include, but are not limited to, material developments in market conditions, material geopolitical events, and changes to a client's personal or financial situation (the birth of a child, preparing for a home purchase, plans to attend higher education, a job transition, impending retirement, death or disability among family members, etc.).

The custodial broker-dealer for client's account will send account statements and reports directly to clients no less frequently than quarterly. Such statements and reports will be mailed to clients at their address of record or delivered electronically, depending on the client's election. If agreed to by CIM and client, CIM or a third-party report provider (such as Buckingham Strategic Partners) will also send clients reports to assist them in understanding their account positions and performance, as well as the progress toward achieving financial goals.

#### Item 14 Client Referrals and Other Compensation

Nobody other than clients provides an economic benefit to CIM for providing investment advice or other advisory services to clients. However, as described above in Item 12, Fidelity provides certain products and services that are intended to directly benefit CIM, clients, or both.

Neither CIM nor a related person directly or indirectly compensates a person who is not CIM's supervised person for client referrals.

#### Item 15 Custody

For clients that do not have their fees deducted directly from their account(s), CIM will not have any custody of client funds or securities. For clients that have their fees

deducted directly from their account(s), CIM will typically be deemed to have limited custody over such clients' funds or securities pursuant to the SEC's custody rule and subsequent guidance thereto. At no time will CIM accept full custody of client funds or securities in the capacity of a custodial broker-dealer, and at all times client accounts will be held by a third-party qualified custodian as described in Item 12, above.

If a client receives account statements from both the custodial broker-dealer and CIM or a third-party report provider like Buckingham Strategic Partners, the client is urged to compare such account statements and advise CIM of any discrepancies between them.

#### Item 16 Investment Discretion

CIM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, CIM observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to CIM in writing.

#### Item 17 Voting Client Securities

As a matter of firm policy and practice, CIM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients receive their proxies and other solicitations directly from their custodian. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. CIM may provide advice to clients regarding the clients' voting of proxies.

#### Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. CIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. CIM does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

#### Item 19 Requirements for State-Registered Advisors

Please refer to the ADV Part 2B Brochure Supplement for the formal education and business background of CIM's principal executive officers and management persons.

CIM is not actively engaged in any other businesses not otherwise described herein. Neither CIM nor any of its supervised persons are compensated for advisory services with performance-based fees.

Neither CIM nor any of its management persons has been involved in any of the events required to be disclosed in this Item 19, including any award or liability as part of arbitration, civil proceeding, self-regulatory organization proceeding, or administrative proceeding.

Neither CIM nor any of its management persons have any relationship or arrangement with any issuer of securities.

Item 1 Cover Page

PART 2B of Form ADV: Brochure Supplement

Maureen McShane

Capital Investment Management, Inc.  
1459 Underwood Road  
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410-997-6755

February 10, 2020

This brochure supplement provides information about Maureen McShane that supplements Capital Investment Management's brochure. You should have received a copy of that brochure. Please contact Maureen McShane, President & CEO if you did not receive Capital Investment Management's brochure or if you have any questions about the contents of this supplement.

Additional information about Maureen McShane is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Educational Background and Business Experience

Maureen McShane was born in 1962 and has her Bachelor of Science in Education From Towson University in 1996. For over fifteen years, she has worked at Capital Investment Management, Inc. as an investment advisory representative.

## Item 3 Disciplinary Information

This supervised person has had no disciplinary action to report in this item.

## Item 4 Other Business Activities

Maureen McShane is licensed to sell insurance. From time to time and when appropriate for a client, she retains the discretion to recommend that a client purchase a particular insurance product and will generally earn a form of insurance commission as a result. This creates a conflict of interest to the extent that Maureen McShane will receive the insurance commission in addition to any advisory fees that the client may already be paying. Capital Investment Management addresses this conflict of interest by fully disclosing it in this Brochure, by only recommending insurance products that are in the best interests of clients, and by advising clients that they are under no obligation to purchase any insurance product whatsoever (whether from herself or otherwise).

## Item 5 Additional Compensation

Please refer to Item 4, above, for a description of the insurance-related compensation that Maureen McShane may receive.

## Item 6 Supervision

Maureen McShane is the sole investment adviser representative and Chief Compliance Officer of Capital Investment Management. She is supervised pursuant to the firm's compliance policies and procedures as well as its Code of Ethics. 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.

## Item 7 Requirements for State-Registered Advisors

Maureen McShane has not been involved in any of the events required to be disclosed in this Item 7, including any award or liability as part of arbitration, civil proceeding, self-regulatory organization proceeding, or administrative proceeding. Nor has Maureen McShane been the subject of a bankruptcy petition.