

Form ADV Part 2A

Brochure Cover Page (Item 1)

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This Brochure provides information about the qualifications and business practices of Maryland Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at info@mdcapital.com. 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.

Maryland Capital Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information and you determine whether to hire or retain an Adviser.

Additional information about Maryland Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Not applicable.

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Item 4 – Advisory Business

Maryland Capital Management (MCM) is an independently-owned investment advisory firm committed to providing investment advice and portfolio management solutions to high net worth individuals, family groups and institutions. Since our founding in 1978, we have built lasting client relationships based upon personalized service, quality investment solutions and a team of experienced personnel. Our approach is based upon thoughtful client conversations and carefully constructed portfolios. We believe this client-centric approach and our dedication to providing the highest level of client service is the source of our success.

We design solutions to meet specific client needs and determine a client’s tax situation, income needs, time horizon, and risk tolerance. We work with our clients to understand all aspects of their situation and to incorporate those considerations into the tailored investment plans we design. We believe a combination of multiple investment strategies and varying management styles allows our clients to achieve enhanced diversification and a desired blend of risk and return objectives. At times, clients are permitted to impose restrictions on investing in certain securities and types of securities in their accounts.

We offer our clients access to equity, fixed income, alternative and balanced investment management strategies:

- Our equity strategies focus on high quality companies that potentially offer above average long-term growth
- Our fixed income strategy seeks capital preservation and income generation, and is designed to complement a client’s tax status and income needs
- Our alternative strategies seek to capitalize on global market trends by dynamically providing optimal market exposure. These strategies are tactical in nature and are designed to adapt to market conditions
- Our balanced strategies blend together our equity, fixed income and alternative strategies in order to reach a client’s desired level of expected return, and potential income requirements, with a comfortable degree of risk

Assets Under Management as of 12/31/2017 were:

Discretionary –	\$1,021,249,923
Non-Discretionary –	<u>\$ 15,051,635</u>
	\$1,036,301,558

MCM participates in Unified Managed Account (UMA) Programs in which MCM provides the Model Program Sponsor with non-discretionary model portfolio investment recommendations. The Model Program Sponsor uses the information supplied by MCM to provide investment management services to their clients. The Model Program Sponsor retains the discretion to accept, modify, or reject MCM’s recommendation and is responsible for executing any trades. The Model Program Sponsor’s clients are not MCM clients (they are considered “assets under advisement,” not assets under management) and MCM is not responsible for overseeing the provision of services by the Model Program Sponsor. Model portfolio assets under advisement were \$285,000 as of 12/31/17

MCM does not participate in wrap fee programs.

MCM is a 100% employee owned Limited Liability Company and is not affiliated with any other financial organization. Partners of the firm with greater than 25% ownership are: John Blair, President and Principal (48%), Fred Allner, Principal (27%) and Greg Heard, Principal (25%).

Item 5 – Fees and Compensation

Maryland Capital Management's (MCM) compensation for services is calculated based on a percentage of assets under management and is included in the investment advisory contract. For equity, balanced and alternative portfolio management, services shall be calculated at an annual rate of 1.00% of account assets under management. For fixed income portfolio management, services shall be calculated at an annual rate of 0.75% of account assets under management. Fees are paid in arrears and are computed on the basis of assets valued on the last business day of each calendar quarter. Some accounts are charged a flat fee annually. Depending on the nature of the account, fees may be negotiable. In those instances, a client may pay more or less than the fees on our standard fee schedules, and more or less than similar clients.

Fees may be paid by deduction from the client's account or by direct payment by the client and are due by the 10th business day of the subsequent quarter.

MCM's fees are exclusive of brokerage commissions, transactions fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, wire transfers and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. A portion of some client's holdings may be invested in exchange traded funds or mutual funds. Exchange traded funds and mutual funds charge operating expenses, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the MCM quarterly fee. MCM does not receive any portion of these commissions, fees and costs. Item 12 further describes the factors that MCM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

Investment agreements between the client and MCM may be terminated at any time, in writing by either party. Fees are billed and payable upon termination of the account. If termination occurs at a time other than quarter end, fees will be prorated for the appropriate time period.

With respect to the UMA model program, a fee is collected by the Model Program Sponsor and then a portion of the fees are remitted to MCM.

Item 6 – Performance-Based Fees and Side-by-Side Management

Maryland Capital Management does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7 – Types of Clients

Maryland Capital Management offers investment management services to individuals, high net worth individuals, families, pension and profit sharing plans, trusts, estates, charitable organizations as well as corporate entities. A minimum opening account balance of \$500,000 is required; however MCM may waive this minimum at its discretion.

MCM also offers investment advisory services to UMA Program Sponsors in the form of model portfolios based on one or more of MCM's investments strategies. Program Sponsors utilize the model portfolio to provide investment services to their clients.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Maryland Capital Management's (MCM) methods of analysis include fundamental analysis, technical analysis, cyclical and quantitative analysis.

Fundamental analysis involves the analysis of financial statements, the general health of companies, and/or the analysis of management or competitive advantages.

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 an investment.

Technical analysis involves the analysis of past market data. Specifically, we examine historical price and volume data, relative strength characteristics, chart patterns and support and resistance levels.

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

Cyclical analysis involves the analysis of business and/or earnings cycles to find favorable conditions for buying and/or selling a security.

Cyclical analysis assumes that financial markets react in cyclical patterns which, once identified, can be leveraged to enhance performance. The risk to this type of analysis is that history does not always repeat itself.

Quantitative analysis involves the analysis of the mathematically measurable figures of an investment, such as earnings growth or relative price movement. We use screening tools to help us identify investments with favorable statistical characteristics.

Quantitative analysis does not consider the qualitative features of a company. The risk to this type of analysis is that poorly-managed or fundamentally unsound investments may underperform despite strong statistical measures.

Investment Strategies

MCM manages portfolios with equity, fixed income, alternative and balanced strategies.

Equity

Our equity strategies seek maximum long-term capital appreciation. We focus on high quality companies with identifiable and growing earnings streams. Our portfolio management team employs a mix of quantitative screens with fundamental, bottom-up company analysis to identify quality growth prospects.

The foundation of our Concentrated Growth Equity strategy is constructed on the following criteria:

- Maintain a holding list of 22-25 companies with market capitalizations generally greater than \$3B that represent MCM's best equity investment ideas
- Invest in companies with favorable revenue growth, earnings growth, financial strength, and strong returns on equity
- Evaluate individual investments over a 3-5 year time horizon
- Maintain low annual portfolio turnover

The foundation of our Equity Income strategy is constructed on the following criteria:

- Maintain a list of 10-15 companies with market capitalizations > \$15B and dividend yields greater than 3%
- Invest in companies with combinations of high returns on invested capital, favorable debt-to-asset and debt-to-capital levels, and sustainable growth and payout ratios
- Evaluate individual investments over a 3-5 year time horizon
- Maintain low annual portfolio turnover

The foundation of our Small Cap Growth Equity strategy is constructed on the following criteria:

- Maintain a holding list of 40-45 companies with market capitalizations generally lower than \$7B that represent MCM's best equity investment ideas
- Invest in companies with favorable revenue growth, earnings growth, financial strength, and strong returns on equity
- Evaluate individual investments over a 3-5 year time horizon
- Maintain low annual portfolio turnover

The foundation of our Chesapeake Bay strategy is constructed on the following criteria:

- Maintain a list of publicly-traded companies headquartered or doing business in the greater Chesapeake watershed area (Delaware, Maryland, New York, Pennsylvania, Virginia, and West Virginia)
- From this list, identify through our research efforts those that are taking steps to positively impact the Chesapeake Bay (sustainability, cleanup, pollution reduction, education, restoration, financial contribution, etc.)
- Construct a portfolio from this list by investing in the companies with the most favorable revenue growth, earnings growth, financial strength, and strong returns on equity
- Evaluate individual investments over a 3-5 year time horizon

Fixed Income

We also manage fixed income portfolios consisting of individual bonds. Our primary goals when managing these types of portfolios are to protect principal and generate income. When creating portfolios for clients, we take into consideration specific client objectives, risk tolerances and tax status.

The foundation of our fixed income investment philosophy and process is based on the following:

- Invest primarily in investment grade fixed income securities with varying maturities
- Focus on capital preservation and income generation
- Access to multiple broker-dealers provides for diverse inventory and purchase alternatives

Alternative Strategies

MCM offers alternative investment choices to enhance diversification and potential return. Our global tactical asset allocation strategies (MCM Apto, MCM Apto 70/30, and MCM Apto 50/50) and single country strategy seek to capitalize on global market trends by dynamically providing optimal market exposure. Utilizing investments in exchange traded funds (ETFs), these strategies rely on a systematic, unemotional ranking system to position them in attractive asset classes, sector groupings, or regions of the world. This unique portfolio construction and rebalancing process adapts very well to changing market conditions.

Balanced

When appropriate, we will combine our equity, fixed income and/or alternative strategies together to create portfolios that are balanced via exposure to multiple asset classes.

The foundation of our Strategic Income strategy is constructed on the following criteria:

- Portfolios will have an asset allocation target range of 50/50 to 80/20 equities to bonds, with no more than 5% in tax-exempt bonds.
- Primary objective is to maximize current income by targeting the best income generating ideas in any market environment. Secondary objective is long term capital appreciation.
- Multi-asset approach to investing in dividend paying stocks, high quality bonds, and other income producing asset classes – REITs, MLPs, and preferred stock.
- Goal is to deliver income, diversification and total return potential in a focused portfolio.

Risk of Investment Loss

Investing in securities involves risk of loss that clients should be prepared to bear. The investments that MCM invests in on behalf of clients include: common stocks, preferred stocks, municipal bonds, corporate bonds, government bonds, exchange traded funds (ETFs), Master Limited Partnerships (MLPs), Real Estate Investment Trusts (REITs), and mutual funds (including money market funds). There is a risk that clients could lose all or a portion of their investment in any of these securities. All investments carry some degree of market risk as any security has the ability to decline in value.

- Common stock/Equity – has the greatest appreciation/depreciation potential because stock values fluctuate in response to the activities of an individual company or in response to general market/economic conditions
- Fixed Income Securities/Interest Rate Risk - The value of an investment in a fixed income security may change in response to changes in interest rates. An increase in interest rates typically causes a decline in the value of the debt securities. The longer the duration of a debt security, the more its value typically falls in response to an increase in interest rates.
- Non-Investment Grade Securities Risk - The degree of risk for a particular security may be reflected in its credit rating. Securities rated below investment grade (i.e., BA or BB and lower) are subject to greater risks of loss of money than higher-rated securities. Generally, investment risk and price volatility increase as a security's credit rating declines. The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security.
- Investment Company and ETF Risk – Investments in open-end and closed-end investment companies, including exchange traded funds (“ETFs”) involve the same risks as investing directly in the instruments held by these entities. However, investment in these funds are subject to the fees and expenses of the fund in addition to the MCM management fee.
- Non-Traded REITS – are generally illiquid and lack mark-to-market pricing
- Options – an options contract is for a short period (generally a few months). The buyer of an option could lose his or her entire investment, even with a correct prediction about the direction and magnitude of a particular price change, if the price change does not occur in the relevant time period (i.e., before the option expires).

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 Maryland Capital Management or the integrity of management. We have no information applicable to this item at this time.

Item 10 – Other Financial Industry Activities and Affiliations

Our firm is not engaged in other financial industry activities and have no other industry affiliations.

Item 11 – Code of Ethics

Maryland Capital Management (MCM) has adopted a Code of Ethics in accordance with rule 204A-1 of the Investment Advisors Act of 1940. MCM has adopted this Code for all supervised persons to promote the highest standard of ethical conduct among our employees and a culture of compliance. The Code sets forth our standards of business conduct as a fiduciary and specifically requires that employees comply with Federal Securities Laws.

The Code of Ethics includes provisions relating to personal trading and other securities-related conduct of MCM employees as well as written policies and procedures governing the conduct of all advisers, employees and access persons of MCM. Under these procedures, any employee stock or ETF trades are placed in a master account and allocated at the close of trading day. This ensures that all of our clients and/or access persons that trade in a security for that day receive the same average price.

MCM personnel must pre-clear all trades for personal securities accounts with the Chief Compliance Officer (or a designated senior trading person) except for trades with respect to U.S. government securities or open-ended mutual funds. Pre-clearance is valid on the day with which it is granted. Limitations also exist for participation in initial public offerings and private placements.

All of our personnel submit a quarterly personal securities transaction report to the Chief Compliance Officer no later than 30 days after the end of the calendar quarter. The quarterly security transaction report details all transactions in covered securities in which MCM personnel have direct or indirect beneficial interest. Employees also provide an initial holdings report when they are first hired as well as an annual statement of holdings, both of which are reviewed by the Chief Compliance Officer.

We will provide a copy of the Code of Conduct/Ethics to any client or prospective client upon request.

Item 12 – Brokerage Practices

While you are free to choose any broker-dealer, we maintain relationships with several broker-dealers and recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm that help us manage your account(s).

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including:

- Reputation, financial strength, and stability
- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, electronic funds transfers, etc.)
- Breadth of available investment products (stocks, bonds, exchange-traded funds [ETFs], Master Limited Partnerships [MLPs], etc.)
- Availability of investment research and tools that may support our investment decision-making processes
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Availability of other products and services that benefit us

In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We recommend that a client in need of brokerage and custodial services utilize Schwab Advisor Services, division of Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC or TD Ameritrade Institutional, division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. MCM is independently owned and operated and not affiliated with Schwab or TD Ameritrade. Schwab or TD Ameritrade will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or TD Ameritrade as custodian/broker, you will decide whether to do so and will open your account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab or TD Ameritrade, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs").

For clients who request custody at a particular broker/dealer (other than Schwab or TD Ameritrade), MCM will consider this request to be a "directed" brokerage and custody situation, and will require the client to sign a form to document this understanding. MCM may be unable to achieve most favorable execution of directed brokerage client transactions and we will not be able to aggregate those transactions (see section below on Aggregation of Trades).

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

Our participation on the Schwab and TD Ameritrade platforms do not constitute a formal soft dollar agreement. However, we do receive economic benefits as a result of our participation as itemized below.

Schwab Advisor Services

As disclosed above, we participate in Schwab Advisor Services ("Schwab"). Schwab Advisor Services is Schwab's business serving independent advisory firms like us. Schwab provides us and our clients with access to its institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage and grow our business. Schwab support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us a quarterly fee.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. Schwab services may include research, brokerage, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments.

Schwab makes available to us other products and services that benefit us but may not benefit all of our clients' accounts. These include software and other technology that provide access to your account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our fees from your accounts, and assist with back-office support, recordkeeping and reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include educational conferences and events, consulting on technology, compliance, legal, and business needs, publications and conferences on practice management and business succession.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. The \$10 million minimum may give us incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interest of our clients. Our selection is primarily supported by the

scope, quality, and price of Schwab's services. We have \$1 billion in client assets under management at Schwab as of 12/31/2017 and do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

TD Ameritrade

We also participate in TD Ameritrade's institutional customer program. There is no direct link between our participation in the program and the investment advice we give to you, although we receive 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 our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have our fees deducted directly from your account; access to an electronic communications network for 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 us by third party vendors. TD Ameritrade may pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit all of our client accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to you, we put your interest first at all times. You should be aware, however, that the receipt of economic benefits creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Your Brokerage and Custody Costs

For our client's accounts that Schwab and TD Ameritrade maintains, Schwab & TD Ameritrade do not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle in your account. In addition to commission fees, Schwab and TD Ameritrade may charge you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are settled into your Schwab or TD Ameritrade account. MCM has the ability to select the executing broker and will seek competitive prices but will not necessarily be able to obtain the lowest possible commission or price in these prime broker transactions. We have determined that having Schwab and TD Ameritrade execute most trades is consistent to seek "best execution" of

your trades. Best execution means the most favorable terms for transactions based on all relevant factors.

Block/Aggregation of Trades

MCM will aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution for its clients. MCM enters transactions to purchase or sell securities in client accounts using block trading for ease of execution and to obtain fair pricing for clients. When trading in one “block” where executions occur at different prices, an average price is given to all participants in the trade ensuring that all clients are treated fairly.

For large block orders, MCM will prepare a transaction order form or create a block transaction in our electronic trading system that specifies which client accounts will participate in the aggregated order and the number of shares of the security intended to be purchased or sold in each account. If the aggregated order is filled in its entirety, the securities acquired will be allocated at the end of the trading day in accordance with the transaction order form. If the order is partially filled, the securities will be allocated pro-rata based upon the transaction order form. Allocations of partially filled orders are subject to rounding to ensure that each account receives a round lot.

MCM may not be able to aggregate trades of directed brokerage clients with those of other MCM clients. The inability to block trades may result in directed brokerage trades being executed at different price than the block trades and may be less favorable. MCM will maintain a trade log whereby MCM will document the order entry by custodian when block trades are entered using multiple custodians on the same day. MCM will randomly rotate orders as to not systematically disadvantage directed brokerage clients.

With respect to Unified Managed Account (UMA) Programs, MCM informs the Model Program Sponsor of the changes made to the model, but does not execute trades on behalf of the Model Program Sponsor. The Model Program Sponsor has discretion to execute the submitted model changes and may receive an execution that varies from MCM’s clients.

Soft Dollar Arrangements

When appropriate under its discretionary authority and consistent with its duty to seek best execution, MCM may direct trades for client accounts to broker-dealers who provide MCM with brokerage and research products and services. The client commissions used to acquire brokerage and research services are known as “soft dollars.” MCM seeks to comply with Section 28(e) of the 1934 Act, which provides a “safe harbor” allowing investment advisers to pay more than the lowest available commission for brokerage and research services if it determines in good faith that: (1) the brokerage or research services fall within the definitions set forth in Section 28(e); (2) the brokerage or research services provide lawful and appropriate assistance in the investment decision-making process; and (3) the commission paid is reasonable in relation to the brokerage and research services provided.

The use of brokerage commissions to obtain trading, research and research-related products and services may create a conflict of interest because a client's brokerage commissions may pay for products and services that do not exclusively benefit that client, but the products and services obtained may benefit MCM or other MCM clients. MCM does not attempt to allocate the relative costs or benefits of brokerage and research services among client accounts because it believes that, in the aggregate, the brokerage and research services it receives assists MCM in fulfilling its overall duties to its clients.

The availability of these non-monetary benefits may influence our selection of a particular broker-dealer over another to perform client services.

Trade Error Policy

If MCM makes an error when submitting a trade order on a client's behalf, it is our policy to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss.

Item 13 – Review of Accounts

Maryland Capital Management (MCM) has an Investment Committee that meets regularly to discuss market outlook, investment strategy, and security selection for investment portfolios managed by the firm. The Committee consists of four portfolio managers with voting authority and three research analysts and one portfolio manager with non-voting authority.

Additionally, as part of MCM's internal review process, each investment portfolio is subject to ongoing supervision and evaluation by the Portfolio Manager that manages the account. This assures it is managed in accordance with the investment objectives established by the client. On a quarterly basis, MCM prepares a portfolio appraisal, performance results and market comments for each client. MCM urges clients to carefully review such statements and compare them to the account statements received by the custodian (as also mentioned in Item 15 regarding Custody). Client meetings are scheduled based on the needs of each individual client.

Item 14 – Client Referrals and Other Compensation

Client Referrals – Schwab Advisor Network

Maryland Capital Management participates in the Schwab Advisor Network Program ("SAN") whereby MCM receives client referrals from Schwab. SAN is designed to help investors find an independent advisor. Schwab is a broker-dealer independent of and unaffiliated with MCM. Schwab does not supervise MCM and has no responsibility for MCM's management of client's portfolios or MCM's other

advice and services. MCM pays Schwab fees to receive client referrals through the service. MCM's participation in the SAN program may raise potential conflicts of interest, which are described below.

MCM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by MCM is a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. MCM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to MCM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by MCM and not by the client. MCM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs MCM charges clients with similar portfolios who were not referred through the Program.

MCM generally pays Schwab a non-Schwab Custody Fee if custody of a referred clients' account is not maintained by, or if the accounts are transferred from Schwab. The Fee does not apply if the client was solely responsible for the decision to not maintain custody at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fee MCM would generally pay in a single year. Thus, MCM will have an incentive to recommend that client accounts remain in custody at Schwab.

The Participation Fee and non-Schwab Fee will be based on assets in accounts of MCM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, there is a potential conflict of interest as MCM will have incentives to encourage household members of clients referred through SAN to maintain custody of their accounts and execute transactions at Schwab.

Item 15 – Custody

Your funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian. You will receive statements at least quarterly from your custodian. MCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

To avoid being deemed to have custody of client assets, an adviser must not have:

- First party wire authority without the client specifying the name and account numbers of the receiving institution, or
- Signatory power over a client's checking account, or
- Hold any client securities or funds in the adviser's name at any financial institution, or
- Physically hold cash or securities of any client, or
- Have general power of attorney or trustee over a client's account, or
- Receive a check made payable to the adviser (except for advisory fees), or
- Act as a general partner and investment adviser to any investment partnership.

Under government regulations, we are deemed to have custody of your assets if we have a standing letter of authorization on file for your account and/or if you authorize us to instruct the custodian to deduct our advisory fees directly from your account, however we are not subject to an annual surprise exam from an independent public accountant if certain conditions are met.

Item 16 – Investment Discretion

Maryland Capital Management normally enters into Investment Advisory Agreements whereby the client grants discretionary authority to MCM. When given discretionary authority, MCM has full power to supervise and direct the investment of a client's account. As a result, the implementation of investment decisions can be done without prior consultation of the client (in accordance with the client's established investment objectives).

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). This may limit our ability to manage those assets like other similarly managed portfolios and could impact performance.

Item 17 – Voting Client Securities (Proxy Voting)

Maryland Capital Management (MCM) will vote proxies on behalf of clients for whom MCM has voting authority. For such clients, we participate in the proxy issues that directly impact shareholder value and will take a position that, in our best judgment, will enhance the value of client assets.

MCM votes according to the written Proxy Voting Policy and Procedure, which describe how we will generally vote on numerous proxy issues concerning corporate governance, boards of directors, director and executive compensation, capital structure, etc. In certain instances MCM will consider issues on a case-by-case basis, and it may be necessary to deviate from positions indicated in the Proxy Voting Policy and Procedures.

In the event that MCM has a conflict of interest with clients with respect to the outcome of certain proxy proposals, MCM will resolve the conflict in any of the following ways: 1) vote in accordance with the Proxy Voting Policy and Procedures if the issue is addressed therein, 2) obtain direction from clients on how to vote, or 3) vote according to the recommendation of an independent third party.

In addition, MCM may be solicited to vote on a variety of corporate actions, or other matters, and we will act in the interest of clients when the action impacts shareholder value. Frederick Allner is primarily responsible for monitoring corporate developments and proxy voting. Clients may request a copy of MCM's Proxy Voting Policy and Procedures or obtain a record of its voting by submitting a written request to:

Maryland Capital Management, LLC
Attn: Proxy Voting Department
800 North Charles Street, Suite 500
Baltimore, MD 21201

To direct MCM to vote a proxy in a particular manner, clients should contact MCM by telephone, email or in writing.

Item 18 – Financial Information

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Maryland Capital Management’s financial condition. Maryland Capital Management 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.

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