

Form ADV: Part 2A Firm Brochure

Capital Enhancement LLC
25 Independence Boulevard
Suite 101
Warren, NJ 07059

Phone: (908) 484-7700

Fax: (908) 350-7944

Website: www.capenh.com

Email contact: scalvelli@capenh.com

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This brochure provides information about the qualifications and business practices of Capital Enhancement LLC. If you have any questions about this brochure, please contact us at the telephone number or email address above. The information in this brochure has not been approved or verified by the Securities and Exchange Commission (SEC) or any state securities authority. Additional information about our firm can be found on the SEC's website at www.adviserinfo.sec.gov. Our firm is a Registered Investment Adviser. We are required to inform you that registration itself does not imply a certain level of skill or training.

There are no material changes from our last update in January 2023.

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Advisory Business

Capital Enhancement LLC, formed in 1996, provides personalized tax and investment advice, financial planning, tax preparation, and family office services to high-net-worth individuals and their families. Since the passing of our founder, Douglas Fromberg, in 2009, Steven Calvelli is the sole owner of the firm.

Our investment advisory services are delivered primarily by using wrap fee programs using investment managers, mutual funds, and ETFs. We do not select individual securities for client portfolios; rather we help clients select managers and indices as part of their overall financial planning. We then monitor performance, tax efficiency and asset allocation as part of the overall service we provide to our clients. Our advisory services are tailored to our clients' risk tolerance, tax situation, and other personal considerations. Clients can impose restrictions on investing in certain types of securities.

In terms of financial planning services, we help clients with:

- determining and modeling the lifestyle they can afford in retirement
- determining the appropriate amount of life insurance for their family
- achieving college funding
- cash flow management
- crafting an estate plan, considering tax and non-tax choices

As of December 31, 2023, we managed approximately \$90,256,247 on a nondiscretionary basis.

Fees and Compensation

We are a fee-only firm and only receive fees from our clients. We are not paid by third parties such as banks or brokerage firms, nor do we charge commissions.

For services such as tax consulting, tax preparation and financial planning, we generally charge an hourly fee, a flat fee, or an annual retainer. For investment advisory services, we generally charge an annual fee of 0.75% of the assets being managed by us, although this fee is negotiable. We often "bundle" our services for investment advisory clients, meaning that we may charge an asset-based fee, and for that fee, also provide tax preparation and financial advice on any aspect of our clients' personal financial affairs.

If we charge a client by the hour, or a flat rate or retainer, we invoice the client separately. Asset-based fees are deducted directly from the clients' accounts by the third-party custodian and then remitted to our firm. A client can choose either method.

Hourly fees range from \$175 to \$400, depending on who is performing the work. Flat fees start at \$3,000 and most of our flat fee arrangements are capped at \$15,000.

Depending on the custodian, client asset-based fees are deducted from accounts quarterly, either in advance (Pershing) or in arrears (SEI). If we bill in advance and a client terminates our services, that client is entitled to a pro rata return of fees, calculated on a daily basis.

In addition to our fees, investment advisory clients of ours pay asset-based fees to the money managers or mutual funds for investment management, the custodian for brokerage commissions (as opposed to a per trade commission), and the wrap program sponsor for performance reporting and program maintenance.

We do not receive any portion of those fees.

Neither our firm nor do any of our principals accept compensation for the sale of securities on other investment products. We do not sell insurance. When we recommend mutual fund investments to our clients, we have a bias towards “no-load” funds with no upfront, deferred, or annual sales charges. We believe these products are generally advantageous to our clients compared to funds with sales charges.

Performance-Based Fees and Side-by-Side Management

We do not accept performance-based fees based upon a percentage of the capital appreciation of assets. The owner of Capital Enhancement also invests personal money in the same programs as our clients, with the same pricing our clients receive.

Types of Clients

We generally serve individuals and their related entities: trusts, partnerships, and foundations. The majority of our clients are either current or retired corporate executives, but we serve other high net worth individuals as well.

While we do not have strict minimums in terms of account size, we believe we function most effectively with clients with at least \$1 million in investable assets. We have a special expertise in tying together various aspects of a client’s finances and believe we operate most effectively with wealthy clients who have some complexities in their financial affairs.

Methods of Analysis, Investment Strategies and Risk of Loss

Capital Enhancement recommends traditional investment strategies for clients. We first start by helping clients determine an asset allocation investment strategy with which they are comfortable. Once the strategy is formulated, we then implement using money managers, mutual funds and ETFs. We monitor performance of the various managers and funds with our clients. Our bias is to evaluate performance on an annual basis and to avoid firing managers because of a bad month or quarter, which we believe could produce adverse tax and financial consequences long term. We manage with tax efficiency as a factor, and our most important evaluation tool is benchmarking manager performance and risk versus a relevant index.

We tend to recommend strategies and managers that clients understand and tend to avoid more exotic strategies, such as option trading or investing in retail hedge funds. With respect to the money managers we use for clients, since brokerage commissions are included in the program fees, frequent trading of securities does not increase costs to our clients; however, frequent trading may lead to tax inefficiencies, so we discourage it for taxable accounts.

Investing in securities involves risk of loss that clients should be prepared to bear, and based on historical data, we give clients a sense of the downside risk. With bond investments, we discuss credit/default risk and interest rate risk, and with equities, discuss the volatility and downside risk of the stock market, and of an equity strategy’s relative risk compared to the broad market.

Disciplinary Information

None of the principals/key employees of Capital Enhancement have ever been subject to any legal or disciplinary actions or controversies.

Other Financial Industry Activities and Affiliations

None of the principals/key employees of Capital Enhancement have outside personal/professional relationships and affiliations that would create a material conflict of interest with our clients. We are only paid by our clients. However, we routinely make referrals to other professionals such as attorneys, mortgage bankers and insurance agents that we believe would provide good service to our clients. Our relationships with these professionals are always predicated on what we believe is best for the client.

With respect to choosing money managers and mutual funds for clients, we have no loyalty to any firm, and choose based on an objective evaluation of the manager or fund. Some managers may not participate in our wrap programs and, therefore, are not offered to our clients.

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

We have a comprehensive Code of Ethics that we will provide to any client or prospective client upon request. The basic principle is that we are fiduciaries for our clients and are required to put their interests ahead of our own in advising them.

We do not recommend or purchase for client accounts securities in which we have a financial interest.

We sometimes invest with the same money managers and mutual funds as our clients. We invest on the same terms and we are subject to the same pricing as our clients.

Brokerage Practices

In considering broker dealers, we consider several factors: pricing and execution for the clients, and the ease of doing business with that broker, both for Capital Enhancement and the client. Since we receive no compensation from any non-client party, compensation from a broker is not a consideration.

We receive no "soft dollar" benefits, including proprietary research. We do not receive client referrals from any broker dealer or third-party financial institution.

Clients are free to choose any broker dealer. If a client wishes to use Capital Enhancement to assist in the actual investment implementation, we will use wrap programs sponsored by Pershing or SEI, and for a traditional brokerage arrangement, we will recommend Charles Schwab.

We chose Pershing and SEI based on the quality of managers under their programs, costs, and ease of doing business. We chose Charles Schwab because of their low commissions, ease of doing business, and overall business reputation. Money Managers we choose for clients have pledged to pursue "best execution" when

making trades in client accounts, to ensure lowest cost trading.

Occasionally, we will be treated to lunch to discuss business practices or receive a de minimus gift at year end from a broker-dealer. These items have no impact on our choice of broker-dealers.

Review of Accounts

Steven Calvelli and Robert O'Brien formally review client accounts at least quarterly. As a practical matter, client accounts are reviewed on an informal basis at least weekly. Account reviews are also triggered by unexpected changes in the market or changing client circumstances.

Clients receive quarterly performance reports and receive monthly account statements directly from the custodian, either by mail or electronically. Many of our clients have chosen to have direct access online to their accounts through the custodian's web portal.

Client Referrals and Other Compensation

We do not receive any monetary compensation from non-clients. Occasionally, a broker-dealer, money manager or other outside vendor may invite us to lunch, where business is discussed. We occasionally receive small gifts at year end from outside vendors.

We do not compensate any outside party for client referrals.

Custody

We do not hold custody of client assets, aside from being able to periodically deduct fees from client accounts. We believe this is a best practice in terms of client protection.

We do not offer check writing services. All client assets under our care are held at reputable, third-party custodians. Each client receives statements either electronically or by US mail directly from the custodian. They also receive quarterly reports from us directly, and clients are encouraged to compare our reports versus the statements from the third-party custodians.

Investment Discretion

As a general rule, Capital Enhancement does not accept discretionary authority to manage investments of clients. Rather, we will suggest appropriate funds/managers that we believe are appropriate for clients to use in their investment portfolio. Those managers will have discretionary authority to buy and sell securities as they see fit, and we monitor their performance.

Voting Client Securities

We generally do not vote client securities. Clients can choose to receive proxies and other solicitations directly from the custodian; in our experience, most choose not to receive this information. Instead, it is directed to us, and we will vote as requested by a client.

Financial Information

We do not require or solicit prepayment of fees more than 6 months in advance; therefore, we are not required to submit a balance sheet.

Requirements for State-Registered Advisers

The backgrounds of Steven Calvelli and Robert O'Brien are described in Parts 2B of Form ADV (Brochure Supplements).

We spend about half of our time on tax compliance and consulting, and about half on financial planning and investment advisory work for clients.

We are not compensated for advisory services with performance-based fees.

None of our management has been found liable in an arbitration claim, or civil, self-regulatory, or administrative proceeding.

We have no financial relationships with issuers of securities.

Part 2B of Form ADV:

Steven A. Calvelli
Capital Enhancement LLC
465 South Street
Suite 201
Morristown, NJ 07960

Phone: (973) 326-1000

Date: January 31, 2011

This brochure supplement provides information about Steven A. Calvelli that supplements the Capital Enhancement LLC brochure. You should have received a copy of that brochure. Please contact us if you did not receive that brochure or have any questions about the contents of this supplement.

Additional information about Steven A. Calvelli is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Steven A. Calvelli
Born 1962

Education: BA, Economics, Drew University,
1983 MBA, Finance, Rutgers University, 1989

Work Experience: Principal, the Ayco Company, 1983-1995
(Financial and Tax Advisor)

Principal, PricewaterhouseCoopers, 1995-2008
(Financial and Tax Advisor)

Managing Director, Capital Enhancement, 2008-Present
(Financial and Tax Advisor)

Professional Designations:

Certified Investment Management Analyst (CIMA)
Enrolled Agent (Tax)

Item 3 Disciplinary Information

Steven A. Calvelli has no disciplinary history.

Item 4 Other Business Activities

Steven A. Calvelli has no other business activities outside of his employment with Capital Enhancement.

Item 5 Additional Compensation

Steven A. Calvelli has no additional compensation arrangements with non-client parties.

Item 6 Supervision

Steven A. Calvelli is the supervising principal of Capital Enhancement.

Item 7 Requirements for State-Registered Advisers

Steven A. Calvelli has never been party to an arbitration award or a civil, administrative, or self- regulatory organization proceeding.

Steven A. Calvelli has never entered a bankruptcy petition.

Part 2B of Form ADV:

Robert F. O'Brien
Capital Enhancement LLC
465 South Street
Suite 201
Morristown, NJ 07960

Phone: (973) 326-1000

Date: January 31, 2011

This brochure supplement provides information about Robert F. O'Brien that supplements the Capital Enhancement LLC brochure. You should have received a copy of that brochure. Please contact us if you did not receive that brochure or have any questions about the contents of this supplement.

Additional information about Robert F. O'Brien is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Robert F. O'Brien
Born 1970

Education: BS, Finance, Ramapo College of New Jersey, 1994

Work Experience: Director and Wealth Manager, Capital Enhancement LLC, 2010-Present
(Certified Financial Planner)

Senior Financial Planner, Ernst & Young, 2004-2007
(Certified Financial Planner)

Wealth Manager, Edwards and Troyano LLC, 2003-2009
(Certified Financial Planner, Tax Professional)

Wealth Manager, TIAA-CREF, 1994-2002
(Certified Financial Planner)

Professional Designations: Certified Financial Planner (CFP)
Chartered Financial Consultant (ChFC)
Chartered Life Underwriter (CLU)
Chartered Mutual Fund Counselor (CMFC)

Item 3 Disciplinary Information

Robert F. O'Brien has no disciplinary history.

Item 4 Other Business Activities

Robert F. O'Brien has no other business activities outside of his employment with Capital Enhancement.

Item 5 Additional Compensation

Robert F. O'Brien has no additional compensation arrangements with non-client parties.

Item 6 Supervision

Robert F. O'Brien is a director of Capital Enhancement.

Item 7 Requirements for State-Registered Advisers

Robert F. O'Brien has never been party to an arbitration award or a civil, administrative, or self-regulatory organization proceeding.

Robert F. O'Brien has never entered a bankruptcy petition.

Form ADV: Part 3: Form CRS
Relationship Summary - June 2020

Item 1: Introduction

Capital Enhancement LLC is a Registered Investment Advisor registered in New Jersey. We provide investment advisory services on a fee-only basis and do not provide brokerage services on a transactional basis. Brokerage and investment advisory services and fees differ and it is important for an investor to understand the differences. We consider ourselves "fiduciaries" who act in your best interest. Free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisors, and investing.

Item 2: Relationships and Services

What investment services and advice can you provide me?

The principal investment advisory services we offer to clients are holistic financial planning which include developing an investment allocation with the client, and implementing that allocation through money managers, ETFs and mutual funds.

As part of our investment services, we attempt to maximize the tax efficiency of the portfolio, and monitor the performance of the portfolio at least quarterly. We engage in dialogue with our clients to help ensure the portfolio is consistent with their risk tolerance.

We do not actively trade your portfolio nor are we the ones choosing specific stocks and bonds. Rather, we are overseeing the asset allocation and the managers and funds used to implement that allocation. We do not offer a market-timing service, although we do have opinions on current market conditions if a client is looking to invest money.

While we do not have strict minimums, we believe the relationship works best when a client has at least \$1 million to invest. We limit investments to liquid, publicly traded securities and do not offer private investments to our clients. We will give our opinion on a potential private investment a client is contemplating. Additional information can be found in Part 2A of our Form ADV.

Given my financial situation, should I choose an investment advisory service? Why or why not?

If you have a small amount to invest, an investment advisory service could be very expensive, especially if there is a minimum fee. Also, if you have holdings you would not sell, those should be held outside an investment advisory service fee arrangement.

An investment advisory service works well for someone with substantial assets who is interested in ongoing portfolio management and advice, and wants a fee arrangement where the advisor does not earn a commission on a certain product, but is compensated based on the continuation of the relationship.

How will you choose investments to recommend to me?

We only are paid by our clients, and not by any other party such as a financial institution. Therefore, we attempt to choose investments that will work best for you over time. We look at underlying expenses, tax efficiency, investment track records, third party ratings (such as Morningstar ratings), and also availability at custodians with whom we have a business relationship: Pershing, TD Ameritrade and SEI. These custodians do not compensate us.

What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

Steven Calvelli has an undergraduate degree in Economics and a Masters of Business Administration in Finance. Robert O'Brien has an undergraduate degree in Finance. Both of our advisors have decades of investment experience serving high net worth individuals.

Steven Calvelli is a Certified Investment Management Analyst (CIMA) and Robert O'Brien is a Certified Financial Planner (CFP). To earn these credentials, both individuals had to do classroom work and pass examinations to prove mastery of financial and investment planning. Both have to spend significant hours each year in professional education to keep these credentials.

Item 3: Fees, Costs, Conflicts and Standards of Conduct

What fees will I pay?

Most of our clients pay us a fee that is a percentage of their assets under management. Our maximum fee is 0.75% (75 basis points) of assets each year, and could be less. We sometimes are compensated by hourly fees or a fixed fee. All fees are discussed beforehand with clients.

In addition to fees paid to us, the underlying investments usually carry additional fees. Those are usually management fees charged by the fund provider, ETF, or money manager and are usually a percentage of the assets. Fees tend to be less with passive, indexed investments and more with actively managed investments. There could also be asset based fees or commissions charged by the custodial financial institution.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Help me understand how these fees and costs might affect my investments? If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

If you gave us \$10,000 to invest, the full amount will be invested. However, over time, we, the money managers and funds, and custodians will deduct asset based fees periodically. Over the course of a year, you should expect total fees to be in a range of 50 basis points (0.5%) to 150 basis points (1.5%) of your assets. The fees are dependent on how much money you have invested with us, whether the investments are passively managed or actively managed, and whether the investments are in equity investments or fixed income.

What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you.

For example, if you have a choice between a lump sum pension payout or a monthly annuity, we could have a bias towards recommending you take the lump sum, as we could be compensated by managing the lump sum, whereas we would not be compensated on a monthly pension annuity. We are certainly cognizant of our conflicts and always endeavor to provide you with the best advice for you, even if it costs us fee revenue.

Having said that, we are only compensated by our clients and not by any other party. It is in our long term interest to keep you happy and retain you as a client. We are in the relationship business, and not in a transactional business.

How do your financial professionals make money?

Steven Calvelli's compensation is based on the profits of the company. Robert O'Brien receives a salary plus bonus.

Item 4: Disciplinary History

Do you or your financial professionals have any legal or disciplinary history? We are proud to answer that as

"No." You can visit Investor.gov/CRS to verify.

Item 5: Additional Information

You can find additional information on our website, www.capenh.com. You can also call us on (908) 484-7700 and ask for Steven Calvelli or Robert O'Brien.