

Capital Planning Advisory Group, Inc.

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**FORM ADV PART 2
BROCHURE**

This brochure provides information about the qualifications and business practices of Capital Planning Advisory Group, Inc. If you have any questions about the contents of this brochure, please contact us at 215-579-5760/800-947-5264. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Capital Planning Advisory Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Capital Planning Advisory Group, Inc. is 105865.

Capital Planning Advisory Group, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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SUMMARY OF MATERIAL CHANGES

There have been no material changes made to Capital Planning Advisory Group, Inc.'s Brochure since its last Annual Amendment filing in March 2011.

Advisory Business

Form ADV Part 2A, Item 4

Capital Planning Advisory Group, Inc. ("CPAG") was founded as a Registered Investment Adviser in 1988 by its current president, George N. Luciani, CFP. Capital Planning Advisory Group, Inc. was established as a fee-only financial planning/asset management company, a somewhat unique, if not original, concept for the period. In 1988, fee-only financial planning companies made up less than 1% of the financial services industry. Fee-only asset management companies were even less of a factor in the industry that is still dominated by commissioned brokers/salespeople. Mr. Luciani's original vision to provide objective advice without the inherent conflicts of interest created by transaction-based commissions remains an integral part of the CPAG philosophy.

All associates of the firm are certified financial planners or are committed to the ethical and educational/licensing process to achieve the CFP designation. Our comprehensive financial planning services provide clients with a personal strategic plan to achieve their financial objectives, which may include retirement, estate, tax, education, investments or insurance issues. Our asset management services help clients achieve a portfolio rate of return commensurate with their risk tolerance and their coordinated financial planning need. Portfolio returns have always been a process of management by objective, not maximum return.

Capital Planning Advisory Group, Inc. is nationally registered with the Securities and Exchange Commission, and may therefore provide financial services in all 50 states.

Capital Planning Advisory Group, Inc. provides its clients (i.e. individuals, pension and profit sharing plans, trusts, and business entities) with financial planning, investment and non-investment related consulting, and discretionary investment management services.

We follow a well-defined, time-proven process to increase the probability that you will meet your financial objectives. We designed this program to replicate at each level the intricate and highly disciplined approach that institutional money managers use in the management of large pools of pension assets.

Your portfolio strategy begins with a personalized investment analysis, and then graduates through the portfolio construction process in which multiple asset classes, style allocations and multiple specialist money managers are combined to meet your investment objectives.

Our investment objective is to provide consistent, value oriented returns by carefully implementing disciplined investment philosophies that have favorable historical performance characteristics. Performance goals are managed by objective, based upon your financial planning needs and personal risk tolerance.

The result is a personalized asset management process designed to respond to your individual issues while also responding to the dynamics of the ever changing capital markets.

CPAG's Asset Management Process to a Successful Financial Future:

Through personal consultations with you, we develop a personal profile of your individual investment needs and objectives, time horizon, and attitude toward investing.

We develop a personalized asset allocation strategy based on your needs and objectives. This strategy maximizes your investment returns through a diversified allocation process relative to your risk tolerance.

Your asset allocation strategy is implemented by investing in a diversified portfolio and is managed by preeminent institutional money management firms not normally accessible to an individual investor.

Your investment portfolio is carefully monitored on an ongoing basis to ensure that it remains consistent with your agreed-upon asset allocation strategy. If the relative value of investments in your portfolio changes

enough to become inconsistent with this strategy, it is rebalanced.

We will communicate with you on a regular basis and provide a comprehensive reporting package including account level performance reports and statements providing details of your account - including total asset value and a record of all transactions that occurred during the reporting period.

CPAG does not participate in any wrap programs.

As of December 31, 2011, CPAG had approximately \$110,000,000 under management. CPAG maintains discretionary management over all but approximately \$2,000,000 of this amount.

Fees and Compensation

Form ADV Part 2A, Item 5

Financial Planning and Consulting

CPAG may, in its sole discretion, determine to provide financial planning and/or consulting services (including investment and non-investment related matters) on a stand-alone basis. Should CPAG determine to do so, CPAG will generally charge a fixed fee or hourly fee for these services. CPAG's financial planning and consulting fees are negotiable, but generally range from \$3,000 to \$10,000 on a fixed fee basis, and from \$200 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging CPAG to provide financial planning and/or consulting services, the client will generally be required to enter into a *Financial Planning and Consulting Agreement* with CPAG setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to CPAG commencing services.

In performing its services, CPAG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. If requested by the client, CPAG may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CPAG. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify CPAG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising CPAG's previous recommendations and/or services.

Investment Management

The client can determine to engage CPAG to provide initial and ongoing financial planning and discretionary investment management services on a *fee-only* basis. CPAG's annual investment management fee shall range between 0.25% and 1.00% of the assets placed under CPAG's management, as follows:

<u>Assets</u>	<u>Quarterly Rate</u>	<u>Annual Rate</u>
Initial \$1 million	0.25%	1.00%
Next \$1 million	0.125%	0.50%
All Additional	0.0625%	0.25%

CPAG's annual investment management fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. CPAG generally requires an annual minimum fee of \$1,000 for its active discretionary investment management services. However, CPAG, in its sole discretion, may reduce its minimum annual fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

To the extent that the client requests that CPAG recommend a broker-dealer/custodian for execution and/or

custodial services (exclusive of those clients that may direct the CPAG to use a specific broker-dealer/custodian), CPAG generally recommends that investment management accounts be maintained at various broker-dealers/custodians, including, but not limited to, the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("*Schwab*"), a FINRA registered broker-dealer, member SIPC; Pershing LLC ("*Pershing*") and the proprietary mutual funds and/or investment programs available through SEI Private Trust ("*SEI*"). Although CPAG may recommend/require that clients establish accounts at the aforementioned broker-dealers/custodians, it is the client's decision to custody assets with them. CPAG is independently owned and operated and not affiliated with any broker-dealer/custodian.

In lieu of individual transaction fees; Pershing offers an *asset-based program* which may be utilized for actively traded accounts upon the mutual consent of CPAG and the client. Pershing assesses CPAG a graduated fee for each asset-based account in advance each quarter.

For CPAG client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

In addition to CPAG's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Prior to engaging CPAG to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with CPAG setting forth the terms and conditions under which CPAG shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Currently, except for those client assets designated for management by Independent Manager[s] (see discussion below), CPAG generally recommends that clients primarily allocate investment management assets among mutual funds and/or exchange traded funds, on a discretionary basis, which may include charges imposed at the fund level (e.g. management fees and other fund expenses).

Both CPAG's *Investment Advisory Agreement* and the custodial/clearing agreement shall authorize the custodian to debit the account for the amount of the CPAG's investment advisory fee and to directly remit that management fee to CPAG in accordance with required SEC procedures. The *Investment Advisory Agreement* between CPAG and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the CPAG shall debit the client account for the pro-rated portion of CPAG's unpaid quarterly investment management fee.

Factors which CPAG considers in recommending a broker-dealer/custodian/investment management program provider to clients include financial strength, reputation, execution, pricing, research, and service. Schwab or other custodians enable CPAG to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds at nominal transaction charges. Broker-dealers and custodians generally charge commissions and/or transaction fees to effect certain securities transactions. Schwab generally charges commission rates which are considered discounted from customary retail commission rates. The brokerage commissions and/or transaction fees charged by Schwab (or any other designated broker-dealer/custodian) are exclusive of, and in addition to, CPAG's investment advisory fee. Although the commissions and/or transaction fees that may be paid by CPAG's clients shall comply with the CPAG's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where the CPAG determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of

research provided, execution capability, commission rates, and responsiveness. Accordingly, although CPAG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions.

INDEPENDENT MANAGER(S)

For those clients that require an enhanced and/or specialized level of asset management services, CPAG shall also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] and/or investment programs (the "Independent Manager[s]") sponsored by Schwab, SEI, Breckinridge Capital Advisors Inc., Windhaven Investment Management, CoreStates Capital Advisors, LLC or other investment program providers, based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager[s] shall generally be set forth in separate disclosure documents. CPAG shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives, for which CPAG shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager[s]. Factors which CPAG shall consider in recommending Independent Manager[s] include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager[s], together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are generally exclusive of, and in addition to, CPAG's ongoing investment advisory fee.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

CPAG does not charge any performance fees. Sub-advisors of CPAG, like CoreStates Capital Advisors or certain mutual funds, may charge performance fees in connection with specific product offerings, especially in the areas of managed futures and options trading.

Any such offering will be documented and disclosed to the client before implementation of such offering.

Managed futures offerings may also require written authorization between the client and the broker trading the account at the CME futures exchange.

Types of Clients

Form ADV Part 2A, Item 7

CPAG provides investment advice for the management of both taxable and tax-free diversified portfolios.

CPAG provides its services to individuals, pension and profit sharing plans, trusts, and business entities.

Accounts of \$500,000 or more may be accepted; however, smaller accounts may be accepted when part of a household with more than \$1,000,000 total value.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

What distinguishes our program is its personal emphasis. It is built around you - your goals, your time frame, and your tolerance for risk. As your needs change, our ongoing management process ensures that your investment portfolio evolves with you. It is not a get-rich-quick strategy or a "hot-tip" investment product. Instead, we employ a disciplined process that sophisticated institutional investors have followed for decades in managing their investments.

Portfolio Asset Management

Our Defensive Allocation process is designed to protect client portfolio assets in both good (bull) and bad (bear) markets. This "win by not losing" philosophy is accomplished by the use of trend analysis that allows us to structure above average "offensive" tactics in positive market environments.

When a negative market decline occurs, we employ a two-tiered defensive strategy that we define as Level One and Level Two Defense:

Level One Defense

Weak negative trend assets that fall below their intermediate (not short term) trading range may be sold to protect account values during a down trend. The "selling the negative trends" tactic is the first part of the defensive strategy that protects profits and keeps the portfolio from falling into the "great abyss" that systematically occurs in market dislocations. The process reduces losses that can be extreme at times.

Level Two Defense

The market neutral element of the strategy is the second line of defense. CPAG and certain sub-advisors of CPAG, like CoreStates Capital Advisors may use "shorting" techniques to reduce the portfolio from additional downside loss. Legitimate downturns are intermediate in length, thus allowing the purchase of inverse ETFs to first neutralize the core positions and then the remaining satellite (alpha) positions that remain in the portfolio.

This two-tiered defensive tactic is the major distinction that separates the defensive strategy from traditional buy-and-hold strategies. Reducing downside risk is critical to the overall long-term performance of any portfolio.

CPAG provides the investment strategy and its implementation for all clients, utilizing a variety of securities or pooled investment vehicles, such as mutual funds, or outsourced sub-advisor managed accounts. Clients of CPAG receive the benefit of CPAG's developed investment philosophies and strategies, research and due diligence, account monitoring, and personal financial planning recommendations.

CPAG's Investment Committee establishes the overall investment strategies employed by the firm, reviews the brokerage firms we recommend to our clients, and approves of particular investments which may be used by advisors of our firm. The Investment Committee includes George N. Luciani and Michael R. Clancy.

Expansive academic research, investment information, and certain proprietary analyses are drawn upon by CPAG, in order to provide innovative investment advisory services.

Specific stocks, fixed income, exchange traded funds (ETFs), no-load (no commissions, no 12b-1 fees) mutual funds, alternative investments products, and other investment vehicles are then recommended to clients. Clients' portfolios are then periodically monitored, and changes to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is employed in order to maintain asset class exposures

within desired risk tolerances, subject to variances permitted for tax reduction, tax planning or other reasons.

Methods of Analyses and Investment Strategies, Generally

Financial planning is the roadmap that helps you reach your financial goals and objectives.

At CPAG, when implemented in writing by the client, financial planning process is comprehensive. Major aspects of your family's assets are analyzed and coordinated by objective. In designing formal plans for clients, CPAG relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived tolerance for risk.

This information becomes the basis for the strategic asset allocation investment plan which we believe will best meet the client's stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes which CPAG believes (based on historical data and CPAG's proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term.

Academic research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investor's portfolios. Our selection of asset classes is driven by research into global asset classes by such academics as Professor Eugene Fama, Sr. of the University of Chicago Booth Graduate School of Business and the Center for Research in Security Prices, Professor Kenneth French of Dartmouth College, Andrew Lo of MIT University, and many other academics and researchers.

The investment advice which CPAG provides is based upon long-term investment strategies which incorporate the basic principles of Modern Portfolio Theory and tactical asset rotation. The utilization of several different asset classes, styles and strategies as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (*i.e.*, the standard deviation of the portfolio returns) over long periods of time. CPAG allocates and diversifies the client's assets among various asset classes and then among individual investments, as agreed to by the client.

CPAG also utilizes non-traditional alternative products like managed futures and options and strategies used by institutional investors that, over time, produce non-correlated returns and decrease overall portfolio risk.

CPAG's investment approach is firmly rooted in the belief that markets are usually efficient (but not always rational) but sometimes inefficient and that investors' gross returns are determined by asset allocation and tactical allocation rebalancing decisions. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of exchange traded funds (ETF's), stocks, fixed income products, low-cost and tax-efficient managed mutual funds, as well as options, managed futures, commodities and other alternative investment strategies.

Investment strategy and overall portfolio weightings between equities, fixed income, and alternative investments are based upon each client's needs and desires, agreed upon risk tolerance and investment time horizon. The client portfolios are then assigned risk models designed by CPAG to fit the overall desired weightings.

In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client. Protective tactical asset allocation strategies are employed as needed depending upon intermediate market conditions.

Methods of Analysis; Sources of Information

Our security analysis is based upon a number of factors including those derived from commercially available software technology, securities rating services, general economic and market and financial information, due

diligence reviews, financial newspapers and journals, academic white papers and periodicals. Prospectuses, statements of additional information, other issuer prepared information, and data aggregation services (Morningstar Advisor, etc.) are also utilized. Investment Committee members and advisors also attend various investment and financial planning conferences.

Tactical strategies utilizing technical analysis are used to identify trends that may affect the portfolio. Macro economic trends and historical valuation levels of various asset classes (as measured by p/b, p/e, p/c and/or p/s data) may also be utilized to undertake estimates of the probable long-term (15-year) expected returns of various assets classes, as a means of aiding investment and financial planning decision-making.

Types of Investments

Depending upon desired return, and risk tolerance tied to the client's life situation and cash flow needs, each client typically receives an investment portfolio that may consist of, but not all inclusive of, no-load stock and bond mutual funds, exchange traded funds (ETFs), individual stocks and bonds, options, or managed futures.

Risk of Loss

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) investment in high quality fixed income securities or bond funds and alternative investments like managed futures and options.

However, the investment methodology will still subject the client to declines in the value of their portfolios, which can at times be dramatic. Accordingly, the normally greater expected returns of the equity portion of the portfolio will in turn often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased.

Given the long-term nature of the expected equity premium, the additional expected return for investing in the overall stock market, relative to U.S. Treasury bills, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), CPAG believes the equity returns are likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any shorter time period. While CPAG seeks to reduce overall risks to which a client may be exposed, CPAG cannot provide any guarantee that the client's goals and objectives will be achieved.

Cash Balances in Client Accounts

Cash in clients' investment accounts are typically swept into the bank or money market mutual fund accounts of the custodians (Schwab, Pershing or SEI). CPAG discusses with each client, during the time of review conferences and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken at the request of the client.

Additionally, smaller cash amounts may be maintained in order to facilitate billing of CPAG's, periodic fees, which may possess the effect of slightly reducing the portfolio's returns in periods when overall positive returns occur in the portfolio in excess of the interest rate paid on cash or cash equivalent deposits.

Disciplinary Information

Form ADV Part 2A, Item 9

CPAG and its employees (current and past) have not been involved in any legal or disciplinary events since its establishment in 1988 that would be material to a client's evaluation of the firm or its personnel.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

CPAG and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Form ADV Part 2A, Item 11

CPAG seeks to avoid material conflicts of interest. Accordingly, CPAG does not receive any third party direct monetary compensation (*i.e.*, commissions, 12b-1 fees, or other fees) from custodians, brokerage firms or mutual fund companies. CPAG may at times receive custodian research and software grants that have monetary values in excess of \$1,000 annually.

Our Code of Ethics

CPAG has adopted a Code of Ethics, derived from the SEC and the CFP Board, to which all investment advisor representatives and employees are bound to adhere. The key component of our Code of Ethics states:

CPAG and its investment advisor representatives and employees shall always:

- *Act in the best interests of each and every client;*
- *Act with integrity and dignity when dealing with clients, prospects, team members, and others;*
- *Strive to maintain and continually enhance our high degree of professional education regarding financial, tax, estate, and risk management planning*
- *Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.*

CPAG further adopted a detailed Code of Ethics expressing the firm's commitment to ethical conduct, and which is utilized to guide the personal conduct of our various team members. This detailed Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth our practices of supervising the personal securities transactions of employees with prior or concurrent access to client trade information.

CPAG will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Brokerage Practices

Form ADV Part 2A, Item 12

CPAG utilizes the services of Schwab, Pershing and SEI. Each custodian respectively provides our team members with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis and at no charge to them. However, not all independent investment advisors recommend their clients to utilize particular custodians. These services are contingent upon CPAG committing to Schwab, Pershing or SEI a specific amount of business (assets in custody or trading commissions). Brokerage services include the execution of securities transactions, 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.

Schwab also makes available to CPAG other products and services that benefit CPAG but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of CPAG accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist CPAG in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of CPAG's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help CPAG manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to CPAG. Schwab may 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 CPAG. Schwab may also provide other benefits such as educational events or occasional business entertainment of CPAG personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, CPAG may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

CPAG has been granted the authority by its clients to determine, without specific consent, the securities to be bought or sold, the amounts of those securities, and the custodians and/or institutional trading firms utilized to affect those trades. This authority is established via a written Investment Advisory Agreement (IAA) signed by the client and George N. Luciani, representing CPAG. Any limitations which might be placed on CPAG are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account. CPAG invests client assets primarily in exchange traded funds (ETFs) and no-load stock and bond mutual funds. CPAG may also invest client assets in individual stocks and bonds, options, or managed futures.

Absent an existing custodial relationship, CPAG may assist the client in developing a relationship with a custodian with whom CPAG has an existing relationship. While there is no direct link with the investment advice given, economic benefits may be received which would not be received if CPAG did not place client assets at the selected custodian. These benefits include: access to trading desks serving institutional managers exclusively and the ability to view account balances and activity online; etc. The benefits received may or may

not depend upon the amount of assets custodied. To the extent that CPAG receives these benefits, the benefits may be used to facilitate the management of not only the client accounts responsible for generating the benefits, but all client accounts.

CPAG combines orders for clients. The combining of orders may allow CPAG to achieve more effective execution for orders than would be the case if each individual client order were placed separately with one or several dealers. Clients may also be able to achieve lower trade execution prices as a result of this practice.

In selecting custodians and/or institutional trading firms, CPAG considers a number of factors, including, without limitation, the actual handling of the order, the ability of the dealer to settle the trade promptly and accurately, the financial standing of the dealer, the ability of the dealer to commit capital, CPAG's past experience with similar trades and other factors that may be unique to a particular order. In recognition of the value of these qualitative factors, CPAG may cause clients to pay markups or markdowns that are higher than the lowest cost that might otherwise be available for any given trade.

When an existing account terminates and requests liquidation, CPAG must execute that request objectively and expeditiously. In such cases, client assets will be liquidated via the custodian at the prevailing market prices and custodian exit fees.

Generally, a client may not direct CPAG to utilize a particular broker-dealer to execute some or all transactions for the client's account; however, the client will be required to choose its own custodian. The client is responsible for negotiating the terms and arrangements for the account with that custodian. As a result, CPAG will be unable to influence the transaction costs charged by the custodian to settle CPAG trades for clients.

Notwithstanding the above, if a client insists that CPAG direct its trading to a particular broker or dealer, the client should be aware that it may lose out on certain benefits that would otherwise be obtained and it should be understood that CPAG will not have authority to obtain volume discounts, lower commissions, or narrower spreads. Consequently, clients directing the use of a particular broker or dealer may not receive best execution.

If CPAG sells fixed income debt securities on the client's behalf, it may do so with the broker or dealer affiliate of the custodian or with a qualified institutional trading firm. CPAG executes the sells at the direction of the client as a courtesy and the assets are not considered managed by CPAG until such sales are completed.

Our Recommendations of Brokerage Firms

As a fiduciary, CPAG endeavors to act in its clients' best interests. As such we recommend clients maintain their assets in accounts at selected custodians such as Pershing, Schwab or SEI.

Our due diligence may be based in part on the benefit to our firm of the availability of some products and services (previously described) at no cost to us, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. CPAG's clients may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis) for bonds, than those charged by other discount brokers. However, we have negotiated fees with the custodians we recommend, and we have selected these custodians for their generally low fees relative to other large custodians. Also, please note that we prefer to recommend custodians whom possess significant size and financial resources, for purposes of enhanced safety of clients' funds. For all of these reasons, the lowest cost custodian for clients may not be appropriate and thus not recommended to clients by CPAG.

Review of Accounts

Form ADV Part 2A, Item 13

All accounts will be continuously monitored. As market and credit conditions change, the impact on each account will be assessed.

Portfolio reports are produced monthly, and in some cases quarterly for accounts that do not show activity during a particular quarter. These reports include a complete list and description of portfolio holdings.

George N. Luciani and/or Michael R. Clancy will be available to review all accounts with clients on a regular basis either in person or by telephone.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

CPAG does not directly or indirectly compensate any person(s), service or firm for client referrals.

Custody

Form ADV Part 2A, Item 15

All clients' accounts are held in custody by unaffiliated custodians like Schwab or banks, but CPAG can access clients' accounts, through its ability to debit periodic advisory fees.

Account *custodians* send statements directly to the account owners on a monthly or at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by CPAG. Custodian accounts are also available on-line through the respective *custodian* web site 24/7 for viewing of statements, trade confirmations, or tax information.

Investment Discretion

Form ADV Part 2A, Item 16

Before entering into an investment advisory role, CPAG provides an Investment Advisory Agreement (IAA) to our client which grants CPAG authority to determine without specific consent , the securities to be bought and sold, the amounts of those securities, the timing of the transaction, and the dealer utilized to effect those trades. CPAG will not invest an account until we receive a signed IAA from our client.

Any limitations, which might be placed on CPAG are "client specific" and, to the extent that they exist, are explicitly documented.

Voting Client Securities

Form ADV Part 2A, Item 17

When entering an investment management agreement with a client, it is the general policy of CPAG to not vote proxies. In specific provisions of CPAG's investment management agreement, clients retain responsibility for voting proxies or responding to other corporate actions. Corporate actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings, and class actions.

Financial Information

Form ADV Part 2A, Item 18

CPAG has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.