

**Part 2A of Form ADV: *Firm Brochure***

**Compton Capital Management, Inc.**

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This brochure provides information about the qualifications and business practices of Compton Capital Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 401-453-4040 or [spc@comptoncapital.com](mailto:spc@comptoncapital.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.

Additional information about Compton Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 107002.

## **Item 2     Material Changes**

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## **Item 4     Advisory Business**

Compton Capital Management, Inc. is a SEC-registered investment adviser with its principal place of business located in Providence, Rhode Island. Compton Capital Management, Inc. began conducting business in 1991.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- George F. Kilborn

The principal officers of Compton Capital Management, Inc. are:

- George F. Kilborn, President and Chief Compliance Officer
- Charles W. Ransom, Vice President

Compton Capital Management, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through discussions with the client or a client representative in which goals and objectives based on a client's particular circumstances are established, we develop a client's investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss a client's prior investment history, as well as family composition and background, as appropriate.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (e.g., growth, income, or growth and income, capital preservation), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper

- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2011, we were actively managing \$203,279,820 of client assets on a discretionary basis plus \$10,707,177 of client assets on a non-discretionary basis. The total of managed assets on December 31, 2011 was \$213,986,997.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are usually based upon a percentage of assets under management. For a small number of clients, however, we charge a fixed fee for Investment Supervisory Services.

The annualized fee for Investment Supervisory Services are charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$0 - \$2,000,000	1.00%
\$2,000,001 - Greater	Negotiable

All of our fees are computed and billed at the end of each calendar quarter in arrears, based on the "fair market value of the assets under management at the quarter end date." Fees will be debited from the account in accordance with the client authorization in the Investment Advisory Agreement and as authorized by the client in writing with the account custodian or broker-dealer.

**Limited Negotiability of Advisory Fees:** Although Compton Capital Management, Inc. has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client mandate, assets to be placed under management, anticipated future additional assets; related accounts; account composition, and reports, among other factors.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

***Mutual Fund Fees:*** All fees paid to Compton Capital Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Therefore, our firm will purchase mutual funds for client accounts only when we believe the mutual fund provides a superior alternative to meet a client's specific goal.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Advisory Fees in General:*** Clients should note that similar advisory services may or may not be available from other investment advisers for similar or lower fees.

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

Furthermore, we have no clients who pay performance-based fees, and we have no incentive to favor any accounts.

Compton Capital Management, Inc. does not charge performance-based fees.

## Item 7 Types of Clients

Compton Capital Management, Inc. provides advisory services to the following types of clients:

- High net worth individuals
- Individuals (other than “high net worth individuals”)
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above
- Charitable or Tax-free entities

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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 the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

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

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.



**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Except as stated below for Charles Ransom, Vice President, our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

As part of his duties with Compton Capital Management, Inc., Mr. Ransom provides non-discretionary investment management services to Meehan Fund, Inc., a Providence, Rhode Island based personal holding company. Mr. Ransom provides these services on a part-time basis under a management agreement that our firm has executed with the Meehan Fund. Other than this agreement, Compton Capital Management, Inc. has no affiliation with the Meehan Fund.

## **Item 11      Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Compton Capital Management, Inc. and our employees owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Compton Capital Management, Inc. has adopted a Code of Ethics and Insider Trading Policy ("Code of Ethics"). This sets for the (i) fundamental standards of conduct and restrictions on personal trading for the firm and its employees, policies and procedures for the protection of

material nonpublic information, and (iii) internal reporting requirements for any violations. In order to comply with legal and fiduciary duties and to avoid conflicts of interest, the Code of Ethics requires that employees to comply with applicable laws and that neither the firm nor any related person may use confidential information about client accounts when making personal transactions, take personal advantage of investment opportunities that properly belong to clients, or act on the basis of material nonpublic or insider information about the issuer of a security, even if that would benefit a client account.

While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [spc@comptoncapital.com](mailto:spc@comptoncapital.com), or by calling us at 401-453-4040.

### ***Participation or Interest in Client Transactions:***

Compton Capital Management, Inc. will engage in principal transactions with clients only in exceptional circumstances. Any such transaction must be pre-approved by the firm's President and Chief Compliance Officer and may be undertaken only with the client's prior consent following disclosure of the capacity in which the firm is acting and other material information.

### ***Personal Trading:***

Compton Capital Management, Inc. may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Compton Capital Management, Inc. and its related persons may buy or sell for their personal accounts securities that are purchased for or recommended to clients. The nature and timing of such investment actions may differ from the investment actions taken on behalf of clients, depending on their respective investment goals.

With respect to relatively "liquid" securities, (i.e., those that are widely held and trade in institutional markets), the firm and its related persons may generally trade in the same securities at the same time or after we direct trades on behalf of client accounts. Given the amount of securities that Compton Capital Management, Inc. manages, we do not believe that such trading would have any appreciable impact upon the prices of relatively liquid securities. When the securities being traded are considered "illiquid," all client investment actions will be executed before those of the firm or its related persons.

The firm may aggregate ("block ") trades for itself or its related persons with client trades, provided that the firm's trade allocation policy is followed and client accounts have priority

over personal accounts in the allocation of securities from partially filled orders. For more information on this topic, please refer to **Item 12, Brokerage Practices**, below.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
4. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
5. We have established procedures for the maintenance of all required books and records.
6. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

Compton Capital Management, Inc. seeks to obtain the best execution for its clients' orders. Unless a client specifically directs otherwise, the firm will select the brokers to which it directs orders for execution. The selection of brokers is based on several factors, including primarily the lowest commission rates under given circumstances, and also based on the quality and depth of economic and securities research provided by a particular brokerage firm. Another factor in broker selection is the quality and reliability of the broker's execution capability. If, on the other hand, a client directs the firm to use a particular brokerage firm in executing trades for its account, for some or all of its transactions, the client might not receive the best order executions or the lowest brokerage commissions.

When the firm has discretion to select the brokers to be used for a client's account, it also has the discretion to negotiate and determine the commissions to be paid for transactions in the

client's account. Transactions involving over-the-counter equity securities are primarily placed with institutional brokers making net markets.

Compton Capital Management, Inc. may sometimes aggregate orders to buy or sell the same security for multiple accounts at the same time. This is also called "block trading" or "aggregated trading." In aggregating orders for clients, the firm may sometimes also include orders of firm employees or related persons along with client orders. Block trading may allow the firm to execute equity trades in a more timely and equitable manner and may reduce the overall commission charges to clients.

Each client account that participates in an aggregated order generally receives the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day, with transaction costs shared pro-rata based upon each account's participation in the transaction. Partially filled orders would generally be allocated pro-rata among the participating accounts. Exceptions may be made in good faith compliance with the firm's trade allocation policy, provided no account is systematically disadvantaged thereby.

The firm may receive research products and services from institutional broker-dealers in exchange for directing securities transactions to these brokerage firms. The research and other services are to be used to benefit the clients of Compton Capital Management, Inc. The exchange of these products and services for directing trades to certain brokers is known as "soft dollar" trading.

The products and services may include fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting, interest rate projections, historical database information, news, statistical information, and portfolio management and analytical systems or software that assist the firm's investment management process. Broker-dealers may receive a commission paid by the trading of client accounts (which may be a mark-up or mark-down in certain circumstances) in excess of the commission amount another broker-dealer may have charged, if in the judgment of Compton Capital Management, Inc., the higher commission is reasonable in relation to the value of the brokerage and the research rendered, viewed in terms of a particular transaction, set of transactions, or the firm's overall responsibilities to clients and accounts as to which it exercises investment discretion, or is otherwise consistent with best execution.

If the firm received from brokerage firms any products or services that were used for both investment research and for administrative, marketing, or other non-research purposes, the firm would make a good faith effort to determine the portion of such products or services that may be considered investment research. That portion of the costs of such products or services may be defrayed by Compton Capital Management, Inc., in its discretion, with soft dollars. The portion of such costs attributable to non-research usage of such products and services would accordingly be paid by Compton Capital Management, Inc.

The firm may also pay brokerage commissions in excess of what another broker-dealer might have charged, if directed to do so by a client.

Research services furnished by brokers through whom Compton Capital Management, Inc. trades may be used in servicing any or all of the firm's accounts. Most client accounts vary to some degree in terms of account objectives. Therefore, research received by outside sources, while suitable for use with many or even most clients accounts, may not necessarily be used for all client accounts.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

*REVIEWS:* While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly and whenever necessitate them. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Mr. Kilborn, and, if applicable, the investment officer overseeing the client account.

*REPORTS:* In addition to monthly or quarterly statements that clients receive from their custodian, we provide reports summarizing account performance, balances, holdings, and/or other information under arrangements the firm has with each client.

## **Item 14    Client Referrals and Other Compensation**

It is the policy of Compton Capital Management, Inc. not to pay related or non-related persons for referring potential clients to our firm unless it is done in accordance with the Rule 206(4)-3 under the Investment Advisers Act of 1940. Persons who refer clients to the firm in this manner may be paid a portion of the first year investment management fees the firm receives from such clients as well as a portion of subsequent investment management fees the firm receives from such clients. These referral fees are fully disclosed to each referred client and do not increase or otherwise affect the investment management fees paid by client.

It is the policy of Compton Capital Management, Inc. not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15    Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm and the client may authorize and arrange for the direct deduction of our advisory fees from client accounts.

As part of this fee billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there

may be an error in their statement.

Other than for the direct deduction of our advisory fees, our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the asset mix (e.g., 50% stocks, 50% bonds in a give account or portfolio)
- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign our discretionary Investment Management Agreement with our firm, and may limit this authority by giving us written instructions. Compton Capital Management, Inc. requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account. Clients may also change/amend such limitations by once again providing us with written instructions.

Clients may also hire us to provide non-discretionary asset management services, in which case we will obtain the client's expressed permission and authorization prior to placing trades in a client's account. This limitation is reflected in a non- discretionary Investment Management Agreement with our firm.

## **Item 17 Voting Client Securities**

As a matter of firm policy, unless the right to vote proxies for client securities is reserved to the plan trustee or the named fiduciary of an ERISA account, Compton Capital Management, Inc. will exercise all voting rights for securities held in accounts covered by a discretionary Investment Advisory Agreement. The firm has adopted a policy of voting proxies in favor of the recommendations of the issuer's management, unless it is inconsistent with the best interest of the client. The firm may determine that voting any particular proxy is not in a client's best interest. In the event of a conflict of interest, Compton Capital Management, Inc. would disclose the exact nature of the conflict and obtain client consent prior to voting such securities. Clients may obtain a copy of the firm's compete proxy voting policies and procedures, or information on how proxies for their securities were voted, by forwarding a written request to the firm.

## **Item 18    Financial Information**

As stated in Item 5, Compton Capital Management, Inc. does not require or receive payment of any fees in advance of services rendered. Therefore, we are not required to include a financial statement with this brochure.

As an advisory firm that maintains discretionary authority for certain client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Compton Capital Management, Inc. has no additional financial circumstances to report.

Compton Capital Management, Inc.'s has not been the subject of a bankruptcy petition.