

# **CAPITAL MANAGEMENT GROUP, LLC**

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## **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of CAPITAL MANAGEMENT GROUP, LLC. If you have any questions about the contents of this brochure, please contact us at: (202) 391-0170, or by email at: INFO@CMG-LLC.NET. 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 MANAGEMENT GROUP, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**January 31, 2012**

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes Since the Last Update**

On December 31, 2011, Botree Westmount Partners, LLC., an SEC registered investment advisor, acquired Capital Management Group, LLC.

The “Principal Owners” section of this Form ADV Part 2 has been revised to reflect this change.

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### **Full Brochure Available**

Whenever you would like to receive an updated complete copy of our Firm Brochure, please contact us.

By telephone at: (202) 391-0170

By email at: [INFO@CMG-LLC.NET](mailto:INFO@CMG-LLC.NET).

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## Advisory Business

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### Firm Description

CAPITAL MANAGEMENT GROUP, LLC (CMG) was founded in 1994 by William G. Brennan.

CMG provides personalized confidential financial planning and investment management to individuals, families, and their related trusts and estates, small businesses and other entities. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

CMG is strictly a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment management services are offered on a discretionary or, occasionally, on a partially discretionary or non-discretionary basis. CMG does not act as a custodian of client assets. Client assets are held by independent custodians including TD Ameritrade, Charles Schwab or others; in the client's name. CMG places trades for clients under a limited power of attorney. The client always maintains asset control.

CMG may recommend other professionals (e.g., lawyers, accountants, insurance agents, etc.) when requested by the client. CMG receives no compensation, either monetary or in-kind, for such referrals. In the unlikely event conflicts of interest arise, they would be fully disclosed to the client.

CMG may directly or indirectly compensate third parties for client referrals. Fees paid to referral sources are fully disclosed to clients and have no impact on the fee charged by Capital Management Group to its clients. Specifically, the payment of fees for referrals does not increase the fee that Capital Management Group charges clients who result from those referrals.

The initial meeting with prospective clients, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

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### Principal Owners

CMG is wholly owned by Botree Westmount Partners, LLC., also an SEC registered investment advisor.

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## **Types of Advisory Services**

CMG provides investment supervisory services, also known as investment management or asset management services. In addition, CMG furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

CMG provides clients with specific investment recommendations to achieve a suitable investment allocation designed to meet short and long term objectives. In addition, CMG manages, or oversees the management of, clients' investment portfolios based on each client's individual needs.

Discretionary investment management services are guided by the stated objectives of a client (e.g., principal preservation, maximizing capital appreciation, current income, long-term growth or growth and income). The investment strategy for each client is summarized in an "Investment Policy Statement" (IPS) agreed to with the client and updated as needed.

A principal or director of CMG interviews each client (usually in person but, occasionally, by telephone) to determine individual needs based on criteria such as age, investment experience, current financial position, personal goals and objectives, and risk tolerance.

CMG offers personal financial planning and consulting to clients. Financial issues such as retirement planning, estate planning, cash management, educational funding, need for and/or adequacy of life insurance and other insurance coverage, and income taxes are the most common areas examined for clients.

Financial planning is generally conducted in the course of personal periodic meetings with each client, along with follow-up in writing and by phone. If applicable for a client's circumstances, CMG will develop lifetime cash flow projections using Monte Carlo simulation, and deliver the results in the form of a written report reviewed personally with the client.

CMG offers clients income, gift and estate tax compliance and tax return preparation services, including preparation of payroll tax returns for domestic employees.

CMG may also provide personal accounting and financial management services to individual clients, including bill paying and periodic scheduled or unscheduled distributions to family members or charity.

As of December 31, 2010, CMG manages approximately \$160,657,970 in assets for approximately 157 clients. Approximately \$160,205,141 is managed on a discretionary basis, and approximately \$452,829 is managed on a non-discretionary basis.

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## **Tailored Relationships**

Clients communicate financial objectives by completing a Personal Financial Planning Questionnaire, and through periodic review and advisory meetings and other correspondence. Objectives are tracked via written meeting agendas with each client.

In each client's Investment Policy Statement, the client may designate securities in the account which may not be sold, and/or specify restrictions on investing in certain securities or types of securities.

## **Fees and Compensation**

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### **Description**

Initial fees to evaluate a client's current investment position and recommend suitable changes in portfolio mix and emphasis may be charged separately from ongoing fees for portfolio management. A negotiable initial fee is proposed at CMG's determination of a fair value generally based on an estimate of the time required to provide the appropriate level of service and the level of complexity anticipated. Normal hourly rates, upon which estimates are based, range \$50 to \$300 per hour.

Annual fees for portfolio management are usually based on a percentage of the value of the investments under management; however, such services may also be provided for a fixed retainer payable quarterly in advance.

The standard Investment Management Fees Schedule, based on the value of the investments under CMG's supervision, is as follows:

- First \$1,000,000: 1.00%
- Next \$1,000,000: 0.75%
- Above \$2,000,000: 0.50%

There is a negotiable minimum annual fee of \$5,000.

Exceptions to the established fee schedule may be negotiated, on an individual basis, based on certain criteria including historical relationship, type of assets, potential account size, expected activities, volume of transactions or a requirement for more or less services.

In order to encourage interaction with our clients, there is no limit placed on the amount of professional time made available for portfolio related or general financial discussions. CMG may bill separately for additional services, particularly where research, further analysis, projections, tax preparation, etc. are required. One or more of the following billing methods may be recommended, depending on the services:

- Hourly charges at standard rates (range from \$50 to \$300 per hour)
- Hourly charges with a firm estimate in advance
- Fixed fee
- Quarterly retainer



Fee estimates and billing method are generally provided in advance of services being rendered.

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**Fee Billing**

Investment management fees are usually billed quarterly, in advance, based on the value of a client's accounts under management at the end of the preceding quarter. Fees are generally deducted from the account(s) managed by CMG. The client must consent in advance to direct debiting of their investment account. In some circumstances, clients may choose to be billed for investment management services, and pay the invoice from an account not managed by CMG. Payment in full is expected upon invoice presentation.

The advance fee for new accounts (when substantial deposits may be received in several installments during the initial quarter), or for existing accounts when unusually large deposits or withdrawals occur during a quarter, may be adjusted on a pro-rata basis. Normally, a pro-rata adjustment is made on the next quarterly invoice, to increase the fee for the period of time during which the substantial deposit was under CMG's management or supervision during the previous quarter.

Upon receipt from the client of a written notice terminating CMG's services, any fees paid more than 30 days in advance for the then-current quarter are refundable, on a pro rata basis.

For tax and financial planning services, fee estimates are provided in advance. Approximately 1/2 of the estimated fee is payable in advance and the remainder is payable when the engagement is essentially complete. Actual fees may vary from the estimate if the scope of the engagement is changed. Refunds of any part of the advance fee, if an engagement is terminated before completion, are calculated in the same manner as refunds of advance fees received for investment management services.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. CMG does not control or receive any portion of these transaction fees.

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## **Expense Ratios**

Mutual funds, exchange traded funds (ETFs) and separate account managers (SAMs) generally charge management fees for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.50% per year for its services. These fees are in addition to the fees paid by you to CMG.

Some mutual funds have various share “classes” with different expense ratios for each class. CMG does not control or receive any portion of these fees. However, CMG seeks the lowest-cost shares available (sometimes known as “Institutional” or “I” shares) for its clients. A complete explanation of the fees charged by mutual funds and ETFs is contained in the prospectus for each fund. Fees for investment management services provided by other investment managers will be disclosed in such managers’ separate account agreement.

Performance figures quoted by mutual fund companies in various publications are generally after their fees have been deducted.

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## **Past Due Accounts and Termination of Agreement**

CMG reserves the right to stop work on any account that is more than 60 days overdue. In addition, CMG reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in CMG’s judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

No portion of CMG’s fees are computed on the basis of the capital gains on, or capital appreciation of, the funds or any portion of the funds managed for a client.

CMG does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients

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### Description

CMG generally provides wealth management, investment advice and investment management services to individuals, families, and their related trusts and estates. Services may extend to other entities related to the client, such as small businesses, charitable organizations including foundations and endowments, and other entities. Client relationships vary in scope and length of service.

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### Account Minimums

The minimum account size is \$500,000 in assets under management, which equates to an annual fee of \$5,000. When an account falls below \$500,000 in value, a minimum quarterly fee of \$1,250 may be charged. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

CMG has the discretion to waive or reduce the account minimum. Accounts of less than \$500,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions will apply to employees of CMG and their relatives, or relatives of existing clients, or other circumstances in CMG's discretion.

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

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### Methods of Analysis

The main sources of securities information used by CMG include Morningstar reports and other third-party research materials, fund prospectuses and annual reports, financial newspapers and magazines, inspections of corporate activities, corporate and bond rating services, filings with the Securities and Exchange Commission, and company press releases.

Security analysis methods used by CMG, or by the funds or portfolio managers used by CMG, may include charting, fundamental analysis, technical analysis, and cyclical analysis.

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### Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation. For most clients, CMG uses a combination of passively-managed index and exchange-traded funds as core investments, along with actively-managed funds where there are opportunities for them to add value. Portfolios are globally diversified among U.S. equities, foreign equities and high-quality fixed income investments in an effort to control risk.

CMG may analyze, evaluate and recommend the initial and continued use of independent individuals, firms and institutions that may provide investment management services for certain of CMG's clients. Often referred to as "Separate Account Managers" (SAMs) these organizations may serve as sub-advisors for certain clients' accounts. CMG will provide overall direction and supervision on such SAM accounts as well as monitor performance and continued adherence to the targeted investment style.

CMG will only engage in margin transactions with the client's consent. However, margin account balances may occur in an account due to a withdrawal of cash by a client which must be covered by the sale of securities in the account. On occasion the margin balance may be carried for some period, generally no longer than one month, if postponing a sale to cover the margin balance is deemed to be in the best interest of the client.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. Each client executes an Investment Policy Statement (IPS) that documents their objectives and their desired investment strategy. The client may change these objectives at any time by modifying the IPS.

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## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of any security, including bonds, ETFs or mutual funds may drop in reaction to tangible and intangible events and conditions independent of the security itself. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power will erode at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, an oil company's profits depend on finding oil and then refining it, a lengthy process.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash without creating a significant reduction in the price. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations generates risk, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in any material legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

CMG is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

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### Affiliations

CMG does not have arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or any entity that creates or packages limited partnerships.

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

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### Code of Ethics

The employees of CMG have committed to a Code of Ethics that is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”).

This Code establishes rules of conduct for all employees of CMG. The Code is based upon the principle that CMG and its employees owe a fiduciary duty to CMG's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

CMG's Code of Ethics is available for review by clients and prospective clients upon request.

In addition, certain employees of CMG are Certified Financial Planners™, and are also held to a Code of Ethics outlined by the CFP® Board of Standards.

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

It is the expressed policy of CMG that no principal or employee may purchase or sell any security (other than mutual fund shares or exchange traded funds) immediately prior to a transaction(s) being implemented for an advisory account, thus preventing such person from benefiting from transactions placed on behalf of advisory accounts. No principal or employee shall prefer his or her interest to that of an advisory client.

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### **Personal Trading**

The Chief Compliance Officer of CMG is Michael Byman. He reviews all personal employee trades each quarter. His personal trades are reviewed by William Brennan. Personal trading reviews ensure that the personal trading of employees does not affect the markets, and that employees of CMG do not receive preferential treatment relative to clients. Since most employee trades are relatively small mutual fund trades or exchange-traded fund trades, the trades are not of significant enough value to affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Specific custodian recommendations are made to clients based on their need for such services. CMG recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. CMG does not have any affiliation with product sales firms.

CMG requires all clients to designate a broker or dealer to be used for all transactions. CMG recommends that clients use TD Ameritrade or Charles Schwab as custodian, in most cases. However, clients are free to choose other custodians.

CMG does not receive fees or commissions from any of these arrangements.

CMG may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. For some clients, CMG manages assets in clients' companies' Qualified Retirement Plans, where the clients' firm designates the custodial arrangement.

In those cases where a client designates a specific broker-dealer, CMG may not have authority to negotiate commissions, best execution may not be achieved, and there may be a disparity in commission charges between clients.

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**Best Execution**

CMG, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

CMG invests primarily in open end mutual funds (Class I "Institutional" shares where available), closed end funds, exchange traded funds, bonds (particularly pre-refunded municipal bonds) and CDs. Clients' accounts are generally held at discount brokers, primarily TD Ameritrade unless a client has another preference. There are many financial and non-financial reasons to select one custodial broker over another. Trading costs are a primary consideration, however commission or transaction charges on equity and mutual fund trades are within a reasonably close range at most discount brokers.

CMG does not receive any portion of the trading fees.

CMG conducts periodic reviews of TD Ameritrade's brokerage and best execution practices, evaluates services and documents these reviews.

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**Soft Dollars**

CMG, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

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**Order Aggregation**

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients.

Our firm's policy is to aggregate ("block") client transactions where possible and when advantageous to clients. Block sales typically involve bunching together all or most of the shares of an identical security owned by all or many clients and selling them as one unit. Sales proceeds are subsequently apportioned among participating clients accounts based on the number of shares sold by each at the average selling price of all shares. Block buy transactions are also employed where possible and appropriate for the benefit of clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the event transactions for an adviser, its employees or principals ("proprietary accounts") are aggregated with client transactions, procedures exist to ensure these transactions do not receive favorable treatment relative to client transactions.



## Review of Accounts

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### Periodic Reviews

CMG recommends quarterly account review meetings with each client. Clients who are not able to meet quarterly are strongly urged to meet at least once per year.

Meetings typically occur in person in CMG's offices. If clients are unable to meet at CMG's offices, meetings may take place in other locations (most frequently the client's home or place of business), or by phone.

Account reviews typically cover a range of topics, including portfolio allocation, holdings and performance. At each review, the suitability of the investment strategy is confirmed with the client.

Account reviews are performed by William Brennan, Michael Byman and/or Mark Dickson.

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### Review Triggers

Meeting frequency and discussion topics may vary depending upon the client's circumstances. Triggers for additional meetings may include factors such as:

- Personal/career changes that could influence the client's investment strategy.
- Planning for any expected additional investments or cash withdrawals.

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### Regular Reports

CMG provides written investment reports to each investment client on a quarterly basis. Reports include:

- Target and actual allocation.
- Year-to-date activity; including starting balance, deposits, withdrawals, dividends, interest, management fees and ending balance.
- Year-to-date rate of return and total gain/loss, net of CMG's management fees.
- Summary of holdings, including dollar value of each holding.

In addition, custodians independently provide monthly or quarterly statements, as well as trade confirmations, directly to clients.

## Client Referrals and Other Compensation

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### Incoming Referrals

CMG has agreements with firms and individuals, referred to as Solicitors, through which such persons are compensated for (1) referring prospects who subsequently become clients of CMG and (2) for providing, or for being prepared to provide, certain non-investment related services as required by such clients or requested by CMG. Solicitor's fees are negotiable but generally range between 10% and 20% of the quarterly fees paid to CMG for investment management services. CMG's standard investment advisory fees are not increased because of these agreements, nor is any additional charge passed along to a client in any way for the Solicitor's services.

CMG also has agreements with online referral services, including a firm called Paladin, who maintain, circulate and make available resumes for several CMG Advisors – specifically William Brennan and Michael Byman – to prospects seeking an investment advisor. Capital Management Group pays a monthly retainer (\$280 to Paladin). CMG has in the past, and expects in the future, to initiate similar arrangements with other companies or referral sources.

Additional referrals come from current clients, estate planning attorneys, accountants, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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### Referrals Out

CMG does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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### Other Compensation

CMG participates in institutional service programs with TD Ameritrade and Charles Schwab. While there is no direct link between the investment advice given and participants in the institutional program, economic benefits are received which would not be received if CMG did not give investment advice to clients. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk servicing institutional advisors exclusively, ability to have investment advisory fees deducted directly from a client's account, availability of electronic communications software and networks for order entry, account information, quotes, general business and securities information; receipt of compliance and investment publications; and access to mutual funds which may waive stated minimum initial investments or which may only be available to customer of institutional clients. CMG may also have access to certain share classes, typically called Class I shares, that are unavailable to others because CMG will commit to invest a specific dollar amount in the mutual fund(s) offering the Class I Shares.

In addition, broker-dealers, mutual fund sponsors and Separate Account Managers (SAMs) with whom client accounts are maintained or clients' funds are invested, often offer advisors other benefits which may not be available if the advisor were not maintaining client's accounts or placing client's investments with such persons:

- Referral of prospective clients.
- Educational conferences and seminars at no charge or reduced rates. Frequently such conferences and seminars may include cocktail receptions, meals and entertainment. Air and/or ground transportation to and from the conference and lodging may be included at no cost or at reduced rates.
- Arranging for continuing education credits for attendance at conferences and seminars or participation in online or telephonic conferences sponsored and/or organized by the broker/dealer, mutual fund sponsor or SAM. Typically, conferences or seminars are devoted to topics such as investment analysis, income or estate taxes, retirement planning, educational planning, insurance, economics, international investing etc. that helps CMG associates meet educational requirements to maintain designations such as CPA, PFS, CFP or CFA.
- Invitations to affairs such as dinners, charity balls, sporting events and golf tournaments.
- The opportunity to participate in group discounts for investment software, portfolio management and reporting systems, computers, travel, etc. which smaller firms may not be in a position to arrange or negotiate independently. However, similar arrangements are frequently made available by professional organizations such as the American Institute of Certified Public Accountants and the Financial Planners Association.
- Travel, lodging and meals for due diligence meetings that offer the opportunity to meet portfolio managers of mutual fund and exchange traded funds and discuss specific investments in which Capital Management Group may invest funds on behalf of clients or may be evaluating for future investments.

## Custody

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### Account Statements

All assets are held at qualified custodians who provide account statements directly to clients at their address of record at least quarterly. Clients are encouraged to carefully review the statements provided by their custodians.

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### Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by CMG.

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### SEC Custody

The SEC considers investment advisers to have custody of client funds if certain conditions are met. CMG may be considered to have custody of certain types of accounts, such as when a staff member acts as trustee of an unrelated trust and CMG acts as the investment adviser to that trust. In such cases the SEC requires an annual surprise audit of those accounts by an independent CPA firm. CMG complies with this requirement.

## Investment Discretion

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### Discretionary Authority for Trading

CMG accepts discretionary authority to manage securities accounts on behalf of clients. Discretionary trading authority facilitates placing trades on clients' behalf in order to promptly implement the investment policy that has been approved in writing.

Discretionary investment management services are guided by the stated objectives of a client (e.g., principal preservation, maximizing capital appreciation, current income, long-term growth or growth and income). A principal or director of CMG interviews each client (usually in person but, occasionally, by telephone) to determine an appropriate investment strategy based on criteria such as age, investment experience, current financial position, personal goals and objectives, and risk tolerance. The investment strategy for each client is summarized in an "Investment Policy Statement" (IPS) agreed to with each client and updated as needed.

Within the parameters of each client's IPS, CMG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If required by the client in the IPS, for certain securities or type of securities, CMG consults with the client prior to trading those securities to obtain concurrence.

The client approves the custodian to be used and the commission rates paid to the custodian. CMG does not receive any portion of the transaction fees or commissions paid by the client to the custodian.

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**Limited Power of Attorney**

A limited power of attorney is signed by each client authorizing discretionary investment management. The limited power of attorney is included in the qualified custodian's account application for our primary custodians.

## Voting Client Securities

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**Proxy Votes**

CMG does not vote proxies on securities. Clients will receive proxies and other solicitations directly from custodians, fund managers or transfer agents. Clients are expected to vote their own proxies.

## Financial Information

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**Financial Condition**

CMG does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## Business Continuity Plan

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**General**

CMG has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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**Disasters**

CMG's Disaster Recovery Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident.

All business-critical software and electronic files are maintained at a secure offsite location through the services of a third-party provider. Software and files will remain available to CMG in the event our office is inaccessible.

CMG's Disaster Recovery Plan is reviewed and tested periodically, and at least annually, led by William Brennan with all staff members participating.

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**Alternate Offices**

Alternate work locations are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## Information Security Program

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**Information Security**

CMG maintains an information security program to reduce the risk that clients' personal and confidential information may be breached.

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**Privacy Notice**

CMG is committed to maintaining the confidentiality, integrity and security of personal information entrusted to us by our clients. We consider our relationship with our clients to be our most important asset. We strive to maintain your trust and confidence in our firm by protecting your personal information to the best of our ability. We believe all of our clients value their privacy, so we will not disclose your personal information to anyone unless it is required by law, at your direction, or is necessary to provide you with our services. We have not and will not sell your personal information to anyone.

CMG collects and maintains information required to provide professional services to you. The categories of non-public information that we collect and maintain depend upon the scope of the client engagement. They generally include:

- Personal financial information;
- Qualitative information about objectives, goals and health to the extent required for the planning process;
- Information we receive from you to provide investment advice or open an account (such as your name, address, phone number, objectives and net worth);
- Information we generate to service your account (such as transaction histories of purchases and sales); and,
- Information we may receive from third parties to provide professional services (such as copies of tax returns, estate planning documents from your attorney, or trade confirmations from brokerage firms).

CMG has instituted the following practices to fulfill our commitment to safeguard the confidential information of our clients:

- We limit employee and agent access to information to those persons who have business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or to discuss your financial situation with your attorney or accountant.
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- We require unaffiliated third parties who provide services for us, such as auditors, computer consultants, and our independent provider of investment reporting services to sign confidentiality agreements to keep your information private.
- We do not provide your personally identifiable information to mailing lists, vendors or solicitors for any purpose.

Because some members of Capital Management Group are Certified Financial Planners™, Certified Public Accountants, Personal Financial Specialists, Chartered Financial Analysts and/or Registered Investment Advisors, we may be asked to disclose client data to government and private regulatory organizations or associations as required by law, regulations or codes of ethics and professional responsibility and disciplinary rules and procedures. We will satisfy ourselves regarding the compliance with privacy rules before submitting confidential client information to any agency, organization or group.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

CMG requires that persons providing investment advice (other than professionals employed by SAMs) hold an undergraduate degree and have either earned an advanced degree in business and/or finance or an advanced professional designation such as CPA, CFP® or CFA.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

#### **Certified Financial Planner (CFP):**

The Certified Financial Planner™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and



- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.
- CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### **Certified Public Accountant / Personal Financial Specialist (CPA/PFS):**

**Certified Public Accountant (CPA):** CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

**Personal Financial Specialist (PFS):** The PFS credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA's *Code of Professional Conduct*, and is encouraged to follow AICPA's *Statement on Responsibilities in Financial Planning Practice*. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

### **Chartered Financial Analyst (CFA):**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

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**William G. Brennan, CPA/PFS, CFP®****Educational Background:**

- Date of birth: 11/3/1942
- Institutions:
  - Widener University, Master of Science in Tax; 1988
  - Lasalle University; Bachelor of Science in Accounting, Cum Laude; 1968

**Business Experience:**

- Principal at Capital Management Group, LLC since its founding in 1994.

Additional Disciplinary Information: None

Other Business Activities: None

**Other Professional Activities:**

- Member, DC Estate Planning Council

Additional Compensation: None

**Supervision:**

- William Brennan's compliance-related activities are supervised by Michael Byman, Chief Compliance Officer.
- Michael Byman's contact information:  
(202) 391-0170 [byman@cmg-llc.net](mailto:byman@cmg-llc.net)

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**Michael F. Byman, CFP®****Educational Background:**

- Date of birth: 2/18/1960
- Institutions
  - College for Financial Planning; 2007
  - George Mason University; Masters in Business Administration; 1993
  - University of Virginia; Bachelor of Arts in Economics; 1982

**Business Experience:**

- Director with Capital Management Group, LLC since 2005
- Director of Business Development at Blackboard, a software company; 2001-2005
- Various Marketing and Business Development positions at UUNET, an Internet Service Provider; 1993-1999

Additional Disciplinary Information: None

Other Business Activities: None

**Other Professional Activities:**

- Director, McLean Estate Planning Council
- Member, Northern Virginia Estate Planning Council
- Member, Financial Planning Association

Additional Compensation: None

**Supervision:**

- Michael is supervised by William Brennan. William reviews Michael's work through frequent office interactions and meetings with clients. He also reviews Michael's activities through our client relationship management system.
- William Brennan's contact information:  
(202) 391-0170 [brennan@cmg-llc.net](mailto:brennan@cmg-llc.net)

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**Ingrid P. John, CPA/PFS****Educational Background:**

- Date of birth: 4/21/1960
- Institutions
  - Howard University; Masters in Business Administration; 1989
  - Howard University; Master of Arts, Economics; 1984
  - Howard University; Bachelor of Arts, Economics; 1982

**Business Experience:**

- Manager/Director with Capital Management Group, LLC since 2001
- Manager with McQuade Brennan from 1998-2000

**Additional Disciplinary Information: None****Other Business Activities: None****Other Professional Activities:**

- Member, American Institute of Certified Public Accountants
- Member, Maryland Association of Certified Public Accountants

**Additional Compensation: None****Supervision:**

- Ingrid is supervised by William Brennan. William reviews Ingrid's work through frequent office interactions and meetings with clients. He also reviews Ingrid's activities through our client relationship management system.
- William Brennan's contact information:  
(202) 391-0170 [brennan@cmg-llc.net](mailto:brennan@cmg-llc.net)

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**Mark A. Dickson, CPA, CFA****Educational Background:**

- Date of birth: 5/17/1954
- Institutions
  - Brigham Young University; Bachelor of Arts in Accounting; 1978

**Business Experience:**

- Director with Capital Management Group, LLC since 2007
- Assistant Treasurer with TAG Group USA, Inc. from 1984-2004

**Additional Disciplinary Information: None**

**Other Business Activities:** Principal with Mark A. Dickson, CPA since 2004

**Other Professional Activities:**

- Treasurer, McLean Estate Planning Council
- Member, CFA Institute
- Member, American Institute of Certified Public Accountants

**Additional Compensation: None****Supervision:**

- Mark is supervised by William Brennan. William reviews Mark's work through frequent office interactions and meetings with clients. He also reviews Mark's activities through our client relationship management system.
- William Brennan's contact information:  
(202) 391-0170 [brennan@cmg-llc.net](mailto:brennan@cmg-llc.net)



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**Katherine H. Fox, CFP®****Educational Background:**

- Date of birth: 6/16/1983
- Institutions
  - Florida State University; 2009
  - Virginia Tech, Bachelor of Science in Finance; 2005

**Business Experience:**

- Analyst/Wealth Manager with Capital Management Group, LLC since 2007
- Assistant Manager; Chevy Chase Bank; 2007
- Assistant Manager, Enterprise Rent-A-Car; 2005-2007

Additional Disciplinary Information: None

Other Business Activities: None

Other Professional Activities:

- Member, Financial Planning Association

Additional Compensation: None

**Supervision:**

- Katherine is supervised by William Brennan. William reviews Katherine's work through frequent office interactions and meetings with clients. He also reviews Katherine's activities through our client relationship management system.
- William Brennan's contact information:  
(202) 391-0170 [brennan@cmg-llc.net](mailto:brennan@cmg-llc.net)