

Capital Management Group, Inc.

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June 8, 2012

This Brochure provides information about the qualifications and business practices of Capital Management Group, Inc. If you have any questions about the contents of this Brochure, please contact us at (630) 587-0198. 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.

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

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

Registration as an investment adviser does not imply a level of skill or training.

Item 2 – Material Changes

The SEC adopted new rules and rule amendments under the Investment Advisers Act of 1940 to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, Capital Management Group, Inc. (“CMG”) is no longer eligible for SEC registration. We are in the process of switching from federal to state oversight, and the transition must be complete by June 28, 2012. Once the transition is complete, CMG’s investment advisory business will be regulated by Illinois Securities Department.

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Item 4 – Advisory Business

Capital Management Group, Inc. [CMG] provides investment management services to individuals, businesses, trusts, and employee benefit plans. CMG has been offering portfolio management services since 1985. From 1985 to 2000, the services were provided by Green, Plagge & Associates, Inc.; an accounting firm that also offered investment services. In 2000, CMG was incorporated, and all investment services previously provided by Green, Plagge & Associates, Inc. were transitioned to CMG. The firm is owned by Michael D. Green, CFP & Brian M. Green, CFA.

Accounts managed by CMG are generally invested in no-load mutual funds, individual equities, fixed income securities (taxable and tax exempt), other securities and cash or cash equivalents. CMG consults with the client to obtain detailed financial information and other relevant data on an investor profile questionnaire to enable CMG and the client to determine the appropriate investment guidelines, risk tolerance and other factors that will assist in ascertaining the suitability of the asset management account. CMG manages client accounts on an individualized basis, and further restrictions and guidelines imposed by the client may affect the composition and performance of portfolios. For these reasons, performance of portfolios within the same investment objective may differ and clients should not expect the performance of their portfolio to be identical to any other client of CMG. Capital Management Group, Inc. believes that timing the market is difficult, if not impossible. The company philosophy therefore dictates that once a target equity percentage is identified for a particular account, the goal is for that account to remain closely aligned with the target.

CMG may furnish performance measurement services to its clients on a periodic basis or upon request. The internal reports are intended to inform clients as to the performance of their investments for the selected period.

CMG will require each client to enter in a written Investment Management Agreement (Agreement), which sets forth the rights and obligations of CMG and the client. Agreement will continue in effect until terminated by either party upon thirty (30) days signed written notice to the other party. The agreement will not be assigned without the prior written consent of the affected party.

All customer assets will be held by the custodian of the account in the client's name. CMG will not hold customer funds or securities.

As of 12/31/2011 CMG managed approximately \$44,820,000 in client assets. This amount is broken down as \$42,600,000 on a fully discretionary basis and \$2,220,000 on a non-

discretionary basis

Item 5 – Fees and Compensation

CMG is compensated on the basis of fees calculated as a percentage of assets under management. Fees are calculated quarterly at a flat annual rate of 1.0% and are billed monthly. Clients may also elect to be billed directly for fees or to authorize CMG to directly debit fees from client accounts. Accounts below the firm's minimum account size of \$100,000 may be subject to a minimum annual fee of \$1,250 rather than a percentage fee. Fees are billed in arrears, based upon the market value of the assets in the account on the last day of business of the preceding calendar quarter. Since fees are billed in arrears, CMG does not give refunds if the contract to provide portfolio management services is terminated.

All fees listed are negotiable. CMG reserves the right to reduce or waive minimum account size and fees at its sole discretion. CMG reserves the right to change the above fee schedule with thirty (30) days advance written notice. Unique fee arrangements with certain clients may cause different accounts of similar size and objectives to pay different fees.

CMG will not be compensated on the basis of a share of the capital gains upon, or the capital appreciation of the client's funds.

The client shall authorize custodian to charge account for CMG's fee and remit fee to CMG in accordance with required procedures or client may elect to pay fees separately. The client shall grant limited authorization to CMG to withdraw the contractually agreed upon fees from the specified account. The brokerage firm or custodian of the account is advised in writing of the limitation on CMG's access to the account.

CMG's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to CMG's fee, and CMG shall not receive any portion of these commissions, fees, and costs.

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

CMG does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

CMG provides portfolio management services to individuals, high net worth individuals, trust accounts, corporate pension and profit-sharing plans.

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

Since each client's objectives and risk tolerances are unique, CMG tailors the percentage of stocks versus percentage of fixed income in each account to the particular client. This asset allocation decision is agreed upon with the client at the onset of the asset management process and lays the foundation for how the client account will be allocated.

In fixed income, CMG attempts to earn current market rates, while keeping risk to a level CMG considers minimal. CMG's objective with assets that are allocated to fixed income is to first and foremost reduce the potential of losing principal, while also trying to obtain the best available interest rate. During times of uncertainty, CMG may elect to keep a substantial percentage of fixed income assets in cash equivalents - even if those cash equivalents are providing minimal income. Since the main objective of fixed income assets is to maintain capital, CMG often does not feel that an extra percentage point or two of income is worth the liquidity loss and the potential for capital depreciation on purchased assets. Regardless of CMG's stated objective with fixed income assets, investing in securities of any kind involves risk of loss that clients should be prepared to bear.

For equity exposure, CMG uses a combination of mutual funds and individual stocks. Mutual funds are purchased with an emphasis on how well they complement the other mutual funds and not necessarily with the intention of picking the overall best mutual fund in each category. CMG attempts to give clients exposure to small, medium and large domestic stocks as well as international stocks through the purchase of mutual funds. Individual stocks are purchased based on the results of the firm's internally developed valuation techniques. CMG's philosophy is buy and hold; and rarely is an investment purchased with the intent of selling it any sooner than one year from the date of purchase. While CMG attempts to keep the level of risk below market risk,

investing in the types of mutual funds and individual stocks CMG does involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CMG or the integrity of CMG's management. CMG has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

The President of CMG, Michael D. Green, is also President of the accounting firm Green, Plagge, Shaw & Associates, Inc. Mr. Green splits his time between the two firms, and during different times, the time spent working for each company will vary. The principal places of business of both firms are located in the same building and the firms share certain office equipment, supplies, staff and other expenses. Several clients of CMG are also clients of Green, Plagge, Shaw & Associates, Inc., and under certain circumstances, and with client approval, confidential information may be exchanged between the two firms.

Item 11 – Code of Ethics

CMG has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CMG must acknowledge the terms of the Code of Ethics annually, or as amended.

CMG anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which CMG has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which CMG, its affiliates and/or clients, directly or indirectly, have a position of interest. CMG's employees and persons associated with CMG are required to follow CMG's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of CMG and its affiliates may trade for their own accounts in securities which are

recommended to and/or purchased for CMG's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CMG 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of CMG's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CMG and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with CMG's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. CMG will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

CMG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Brian Green.

It is CMG's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. CMG will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

For client portfolios, CMG has full authority to determine the time, date, name, type and amount

of securities to be bought and sold. Some mutual funds may charge redemption fees if shares are not owned for a minimum time period or if an excessive number of sell transactions are made in a given time period. CMG shall consider negative effects of such fees or charges and shall have discretion to buy, sell or exchange investments when deemed appropriate according to market conditions, investment models or Agreement. Client shall have the ability to impose reasonable restrictions on the management of Client's account, as written under Special Provisions of Agreement.

CMG utilizes the services of Schwab Institutional, a division of Charles Schwab Corporation, as custodian of client accounts. If and when applicable, certain client transactions will be charged according to then-current commission schedule, which, while competitive, may not be the lowest in the industry. Client may also be assessed transaction fees or account fees by custodians, in addition to normal and customary commissions. Such fees and expenses are separate and distinct from any investment advisory fees charged by CMG.

As stated above, investment advisory clients of CMG are required to use Schwab Institutional as custodians. For financial planning clients whom CMG does not provide investment management services, CMG may, on occasion, recommend Schwab Institutional as custodians for client accounts. Under this scenario, CMG will often assist client in completing necessary paperwork to set up and maintain the account. CMG does not receive any compensation or consideration from Schwab Institutional for the suggestion to the client to utilize their services. CMG recommends Schwab Institutional as a result of the products they offer, the services of the firm, and the competitive fees they charge. After initially assisting the client in opening the account, CMG makes no guarantees or warranties for errors or omissions that may occur as a result of any and all future occurrences.

Item 13 – Review of Accounts

Reviews of all investment advisory accounts occur on an ongoing basis. Mutual funds are rebalanced twice a year to insure that they remain within reasonable levels of their intended weightings. Additionally, mutual funds and individual securities can be added or removed at any time, as long as the account remains invested according to guidelines established with the client. Clients should review their trade confirmations and monthly statements from the custodian carefully upon receipt and are invited to contact CMG any time they have a question or concern.

Responsibility for research, forecasts, client account review and portfolio actions are with Michael D. Green and Brian M. Green.

Investment Advisory Clients receive trade confirmations of all transactions, monthly or quarterly

statements, and if the client account exceeds certain minimum size requirements, a quarterly statement from CMG detailing year to date return and a detailed listing of all securities owned. Clients may also view their accounts, regardless of size, by logging on to CMG's website at www.cmginconline.com

Item 14 – Client Referrals and Other Compensation

CMG does not have any arrangements in place in regards to client referrals. The firm does not receive, or pay, compensation of any kind for client referrals.

Item 15 – Custody

Clients should receive at least monthly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CMG urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

CMG usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, CMG observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, CMG's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to CMG in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, CMG does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. CMG may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

CMG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

The following individuals are the principal executive officers and management persons of CMG:

- Michael D. Green, President
- Brian M. Green, Secretary/Chief Compliance Officer

Information regarding the formal education and business background for each of these individuals is provided in their respective Brochure Supplements.

CMG is not engaged in any business activity other than giving investment advice.

Neither CMG nor our supervised persons are compensated for advisory services with performance-based fees.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

Neither CMG nor our management personnel have a relationship or arrangement with any issuer of securities.