

## **The Capital Advisory Group Advisory Services, LLC**

Doing Business As:

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**April 2, 2012**

### **Form ADV Part 2A Brochure**

The Capital Advisory Group Advisory Services, LLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of The Capital Advisory Group Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at 952-831-8243. 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 The Capital Advisory Group Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On April 2, 2012, we submitted our annual updating amendment filing for fiscal year 2011 and reported assets under management of \$127,576,358. We also updated our assets under management disclosure on Page 7 of this Form ADV Part 2 Brochure.

We review and update our brochure at least annually to make sure that it remains current.

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#### **Advisory Business - Item 4**

##### **Description of Services and Fees**

The Capital Advisory Group Advisory Services, LLC (hereinafter “Capital Advisory Group”) is a registered investment adviser based in Bloomington, Minnesota. We are organized as a limited liability company under the laws of the State of Minnesota. We have been providing investment advisory services since 2008. Brett Machtig, Richard Cella, Hayden Clifford Watkin and Thomas Hokr are the principal owners of our firm. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
- Financial Planning Services
- Pension Consulting Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm. These persons are properly authorized and/or registered as investment adviser representatives in all required jurisdictions.

##### **Portfolio Management Services**

We offer discretionary portfolio management services to our clients. Our investment advice is tailored to meet our clients’ needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the “suitability information”) at the beginning of our advisory relationship. We will use the suitability information we gather from our meeting(s) with you to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio’s performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

As part of our portfolio management services, we may use one or more sub-advisers to manage a portion of your account on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without your prior approval. Our ability to hire and fire sub-advisers on your behalf is based on you granting our firm discretionary authority. We will pay a portion of our advisory fee to the sub-adviser(s) we use; however, you will not pay our firm a higher advisory fee as a result of any sub-advisory relationships.

### **Financial Planning Services**

We offer broad-based, modular and consultative financial planning services to our clients and prospective clients. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives, we will develop targeted objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

### **Pension Consulting Services**

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include any one or all of the following:

- a) *Comprehensive Marketplace Search*- We will search the marketplace and provide quotations from leading retirement plan service providers.
- b) *Service Provider Analysis*- We will analyze data regarding fees and services of responding retirement plan service providers, including plan features and service standards.
- c) *Recommendations* – We will make recommendations regarding plan service provider selection and investment lineup based upon study results and your goals and objectives.
- d) *Development of Investment Policy Statement* – We will assist you in developing a written investment policy statement that defines the plan's purpose and provides a clear understanding concerning the investment policies and objectives of the plan assets.
- e) *Existing Plan Review* – A plan review is a comprehensive exam of major components of your retirement plan in order to identify strengths and weaknesses. The review can cover such areas

as overall plan structure, related costs, and plan documentation.

- f) *Communication and Education* – We will help you coordinate and deliver meaningful information regarding the retirement plan to its participants.

These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents. Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

All client plans are regulated under the Employee Retirement Income Securities Act ("ERISA"). Capital Advisory Group will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as our firm recommends. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

#### **Seminars**

From time-to-time, we may conduct workshop seminars. Seminars may address the following topics: asset management, technical portfolio analysis, investment products, insurance products, retirement planning, and general educational topics, among others. The seminars are provided for general information purposes only and are not meant to constitute specific investment advice. Attendees are informed that they are not expected to act on any of the information made available in the seminar. Further, they are instructed to contact a financial services professional to discuss the suitability of instituting any of the strategies and/or the inclusion of any investment product discussed in the seminar prior to implementation in their portfolio.

#### **Types of Investments**

We primarily offer advice on exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, commercial paper, certificates of deposits, variable life insurance, variable annuities, municipal securities, investment company securities, United States government securities, options contracts on securities and commodities, and interest in partnerships investing in real estate, oil and gas interests and leasing contracts. We may also recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of 03/30/2012, we manage \$127,576,358 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

### **Fees and Compensation - Item 5**

#### **Portfolio Management Services Fees**

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<b>Assets Under Management</b>	<b>Annual Fee*</b>
\$0 - \$100,000	2.00%
\$100,000 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 - \$5,000,000	1.00%
Over \$5,000,000	0.75%

\*Where the firm provides active portfolio management, fees may be .50% higher.

Our annual portfolio management fee is billed and payable in advance or in arrears on a monthly or quarterly basis. Fees that are payable in advance are based on the value of your account on the first day of the billing period. Fees that are payable in arrears are based on the total value of your account on the last day of the billing period. If the portfolio management agreement is executed at any time other than the first day of a calendar pay period, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month or quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. The qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements. We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

You may terminate the portfolio management agreement upon written notice to our firm. You will incur

a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client

### **Financial Planning Fees**

We utilize the following financial planning fee schedules, which are subject to negotiation. Dependent upon the nature, complexity and time involved in providing the client with the requested services our fees are as follows:

**Fixed Fees:** Capital Advisory Group will charge a fixed fee that ranges between \$500.00 and \$25,000.00, for broad based planning services. In limited circumstances, the total cost could potentially exceed \$25,000.00. In such cases, Capital Advisory Group will notify the client and may request that the client pay an additional fee.

**Hourly Fees:** Capital Advisory Group charges an hourly fee of up to \$350.00 for clients who request specific services such as a modular plan or hourly consulting.

When the scope of the financial planning services has been agreed upon, a determination will be made as to the applicable fee. The final fee shall be directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or service requested. An estimate of the total cost will be determined at the start of the advisory relationship. Fees are payable as invoiced.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

### **Pension Consulting Services Fees**

Pension consulting fees, and fee-paying arrangements, are negotiated on a case-by-case basis dependant on the scope of the contracted services, and shall be clearly set forth in the advisory service agreement. Generally, the fee for pension consulting services is based upon the following negotiable annualized fee schedule:

<b>Assets Under Management</b>	<b>Annual Fee*</b>
\$0 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$5,000,000	0.50%
Over \$5,000,000	0.25%

The pension consulting fee is billed and payable in advance or in arrears on a monthly or quarterly basis. Fees that are payable in advance are based on the value of your account on the first day of the billing period. Fees that are payable in arrears are based on the total value of your account on the last day of the billing period. If the pension consulting agreement is executed at any time other than the first day of a calendar pay period, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month or quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.



Alternatively, the Firm may charge a fixed fee, which is generally payable in arrears on completion of the contracted services. The exact fee and payment terms will be clearly set forth in the agreement for services signed by the client and the Firm.

Either party to the pension consulting agreement may terminate the agreement upon a 30 day written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees (less any reasonable administrative expenses) will be refunded to the client.

#### **Seminar fees**

We charge a fixed fee for participation in our seminars. Our seminar participation fees directly depend on the length and the scope of topics covered in the seminar. We will disclose the fees to all participants prior to the start of the seminar and will require payment of all fees immediately before the start of the seminar.

#### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

As noted above, we assess an advisory fee that ranges between 0.50% and 2.00% of the managed assets for such portfolio management services. In addition to the advisory fee, individuals associated with Capital Advisory Group Advisory Services, LLC may also receive commission based compensation where the advisory client purchases securities related products as part of the structuring/establishment of the your portfolio. The combination of our advisory fee and the commissions earned may exceed 3.00% in any given year, but will only occur at the start of the advisory relationship, and in conjunction with establishing your initial portfolio. While we believe the combination of the advisory fee and commissions are competitive, lower fees for similar advisory and securities related services may be obtained for other sources.

#### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Investors Capital Corp., ("Investors Capital"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives are separate

and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. We will recommend no-load Mutual Funds in addition to other products as part of your portfolio. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

We may recommend that you purchase variable annuities to be included in your investment portfolio(s). Persons providing investment advice on behalf of our firm may earn commissions on the sale of the variable annuities in his or her capacity as a registered representative of Investors Capital. If these persons earn commission on the sale of variable annuities recommended to you, we will not include the annuity accounts in the total value used for our advisory billing/fee computation for 2 years after the annuity contract is sold. After the two-year period, the value of the annuity sub accounts will be added to the value of your total assets for billing purposes. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Associated persons of Capital Advisory Group Advisory Services, LLC, are also registered as investment adviser representatives with Investors Capital. Advisory. Services offered through, and compensation paid to, Investors Capital is separate and distinct from the advisory services provided by, and fees paid to, our firm.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your

advisory account.

#### Types of Clients - Item 7

We offer investment advisory services to individuals, pension and profit sharing plans and participants, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this requirement if, for example, the client appears to have significant potential for increasing assets under management, it is a family or related account, if the smaller account is tied to a larger client relationship or the account was referred to us by an existing client.

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

##### **Our Methods of Analysis and Investment Strategies**

The following are different methods of analysis that we may use when providing you with investment advice:

- Charting Analysis – involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

- **Short Sales** – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- **Margin Transactions** – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- **Options Trading/Writing**: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

#### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

#### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend all types of securities and we do not necessarily recommend one particular type of security over another. Since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that's used to pay the dividends; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same dividend.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or

“stock”). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies (“large cap”) tend to be safer than smaller start-up companies (“small cap”) but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are “no load” and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be “closed end” or “open end”. So-called “open end” mutual funds continue to allow in new investors indefinitely which can dilute other investors’ interests.

Corporate debt securities (or “bonds”) are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same dividend.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor’s risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

#### Disciplinary Information - Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our firm or our management persons.

Massachusetts Residents - Pursuant to 950 CMR12.205 (8)(d), the disciplinary history, if any, of all investment advisors and their representatives may be obtained by calling The Massachusetts Securities Division at (617) 727-3548.

#### Other Financial Industry Activities or Affiliations - Item 10

##### **Arrangements with Affiliated Entities**

Mark Foreman, investment adviser representative with our firm is also President of Foreman & Airhart, an accounting firm. If you require accounting services, we may recommend that you use Foreman & Airhart. Our advisory services are separate and distinct from the compensation paid to Foreman & Airhart for their services.

Brett Machtig, Managing Member of Capital Advisory Group Advisory Services, LLC is the President of Machtig & Associates, LLC, a licensed insurance agency with the State of Minnesota.

Richard C. Cella and H. Clifford Watkin are the owners of Ipswich Bay Advisors, a licensed insurance agency with the State of Massachusetts.

Other investment adviser representatives of our firm including, David Denniston and Roger Anderson are licensed to sell insurance products of various types through Machtig & Associates, LLC, Ipswich Bay Advisors or other insurance agencies. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

These affiliated firms are otherwise regulated by the professional organizations to which they belong and must comply with the rules of those organizations. These rules may prohibit paying or receiving referral fees to or from investment advisers that are not members of the same organization.

These referral arrangements we have with our affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our

affiliates' services and may obtain comparable services and/or lower fees through other firms.

Persons providing investment advice on behalf of our firm are registered representatives with Investors Capital Corp., ("Investors Capital"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

As dually licensed representatives, such individuals will receive commissions for the purchase and sale of securities and annuity products. This commission revenue is separate and in addition to revenue received from advisory fees. This arrangement represents a conflict of interest due to the receipt of both advisory and commission compensation. Capital Advisory Group has policies and procedures in place to monitor all client transactions. Where Capital Advisory Group finds an Associated Person has not acted in the best interest of the client, Capital Advisory Group may cancel the transaction. Alternatively, Capital Advisory Group may deduct the commission costs from the advisory fee paid by the client. In any event, all client transaction costs will be disclosed to the client.

Associated persons of Capital Advisory Group Advisory Services, LLC, are also registered as investment adviser representatives with Investors Capital. Advisory. Services offered through, and compensation paid to, Investors Capital is separate and distinct from the advisory services provided by, and fees paid to, our firm.

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

##### **Description of Our Code of Ethics**

We will comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 952-831-8243.

##### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.



Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

#### **Brokerage Practices - Item 12**

Principals and Investment Adviser Representatives of Capital Advisory Group are registered representatives of Investors Capital, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. If a client chooses to implement advice through us, the broker/dealer used for client accounts is Investors Capital. Investors Capital performs "due diligence" on mutual funds, limited partnerships, and insurance products. Only those investments that meet Firm requirements will be on the Investors Capital "approved product list" and be offered for sale to clients.

For Capital Advisory Group's portfolio management programs we recommend and request clients to implement trades and maintain custody of assets through discount brokers. We will recommend the services of Pershing Advisor Solutions Services ("PAS"), Member NYSE/SIPC. PAS offers independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information.

#### **Research and Other Soft Dollar Benefits**

Although not considered "soft dollar" compensation, Capital Advisory Group may receive benefits from PAS for research services to include reports, software, and institutional trading support.

Capital Advisory Group understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all Capital Advisory Group clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While Capital Advisory Group may not always obtain the lowest commission rate, Capital Advisory Group believes the rate is reasonable in relation to the value of the brokerage and research services provided.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through Investors Capital. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.



Persons providing investment advice on behalf of our firm who are registered representatives of Investors Capital will recommend Investors Capital to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from Investors Capital unless Investors Capital provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through Investors Capital. It may be the case that Investors Capital charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through Investors Capital, these individuals (in their separate capacities as registered representatives of Investors Capital) may earn commission-based compensation as result of placing the recommended securities transactions through Investors Capital. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use Investors Capital, we may not be able to accept your account. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

#### **Block Trades**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

#### **Review of Accounts - Item 13**

Capital Advisory Group monitors the individual investments within client portfolios continuously. Portfolio performance is reviewed, at a minimum, on a quarterly basis. Capital Advisory Group offers portfolio management clients an in-person portfolio review meeting on an annual basis. All portfolio reviews are performed by the Advisory Representative assigned to the client's account

Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

A financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan.

We will provide you with additional written reports on an as needed basis. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). In addition, the client will receive other supporting reports from Mutual Funds, Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with client accounts.

The client is encouraged to notify our firm if changes occur in his/her personal financial situation that might adversely affect his/her investment plan.

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

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with Investors Capital Corp., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

#### Custody - Item 15

Capital Advisory Group is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the investment advisory agreement.

We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. The custodial statement is the official record of your account for tax purposes. Minor variations may occur between our quarterly reports and the client's custodial statement because of reporting dates, accrual methods of interest and dividends, and other factors.

#### Investment Discretion - Item 16

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

#### Voting Client Securities - Item 17

##### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Also, we cannot give any advice or take any action with respect to the voting of these proxies.

#### Financial Information - Item 18

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

#### Requirements of State-Registered Advisers - Item 19

**This section is intentionally left blank- Our Firm is SEC registered**

#### Miscellaneous

##### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to

anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at 952-831-8243 if you have any questions regarding this policy.

Massachusetts regulation (950 CMR 12.205(9)(c)(13); M.G.L. c.110A) forbids the firm to share any information, which qualifies as private unless the investor specifically agrees thereto, or “opts in.” Hence, prior to sharing information with any third parties, the firm must obtain a signed statement in which the client consents to the disclosure of such information.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.