

Firm Brochure

(Part 2A of Form ADV)



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This brochure provides information about the qualifications and business practices of Capstone Advisory Group, LLC. If you have any questions about the contents of this brochure, please contact us at 952-562-2444 or gmortenson@capstoneadvgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Capstone Advisory Group is a Registered Investment Adviser (RIA). Registration of an Investment Adviser does not imply a level of skill or training. The oral and written communications of an Adviser provide you with information you use to determine to hire or retain the Adviser.

Additional information about Capstone Advisory Group, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 153443. The SEC's web site also provides information about any persons affiliated with Capstone who are registered, or are required to be registered, as investment adviser representatives of Capstone.

Item 2: Material Changes

This filing is in accordance with the annual filing requirements for registered investment advisors. Since the last filing of this brochure on February 18, 2012, We have updated our Assets Under Management.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Form ADV – Part 2A – Firm Brochure

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Item 4: Advisory Business

Capstone Advisory Group, LLC is a SEC Registered Investment Adviser with its principal place of business located at 7650 Edinborough Way, Suite 770, Edina, Minnesota. Capstone Advisory Group, LLC began conducting business in 2010. Capstone Advisory Group LLC is an independent, fee based, comprehensive financial services firm committed to helping our clients improve their long-term financial success. Our customized programs are designed to grow, and conserve our clients' assets while delivering personalized services.

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

- Gregory Jerald Mortenson, Chief Compliance Officer, Principal
- Scott Michael Siverhus, Principal

Capstone Advisory Group, LLC offers personalized financial planning and investment advisory services to individuals, pension and profit sharing plans, trust, estates, charitable and other non-profit organizations, corporations and other business entities. A complete description of the Firm's services and fee arrangements are described in the following pages:

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

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

Clients may choose to engage us to manage these advisory accounts on a non-discretionary or discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Generally an asset allocation strategy is developed for each client. Assets are allocated first between equity and fixed income investments. Investments are then allocated to various sectors within the fixed income and equities categories based upon capitalization size, international or domestic classifications, and growth or value classifications. Individual securities, mutual funds, or separate account managers are then selected for these categories and sub categories. Investment assets may also be allocated to specialty areas.

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

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

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- Exchange traded funds
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Alternative Investments
- Hedge funds

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

PENSION CONSULTING SERVICES

We provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates, charitable and other non-profit organizations, corporations, and other business entities. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

Investment Policy Statement Preparation (hereinafter referred to as "IPS"):

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our Firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments

are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

Monitoring of Investment Performance:

We monitor client investments on a continual basis, based on the procedures and timing intervals delineated in the Investment Policy Statement. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

MANAGER SELECTION PROGRAMS

We also offer advisory management services to our clients through the Manager Selection Programs (hereinafter, "Programs").

Our Firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.

Based on the client's individual circumstances and needs we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the clients stated goals and objectives, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our Firm assists the client in selecting a new registered investment adviser and/or program. For client accounts which Capstone has discretion over, this may be done on behalf of the client by Capstone.

FINANCIAL PLANNING

We provide financial planning services. Capstone has historically provided Financial Planning to its clients who maintain accounts with the firm without charging a separate fee. However, we maintain the ability to charge for these services separately.

Financial planning services will typically involve providing a variety of services, principally advisory in nature, to individuals regarding the management of their financial resources based upon an analysis of individual client needs. We first conduct a complimentary initial consultation during which pertinent information about the client's financial circumstances and objectives is collected.

The financial planning process will involve the collection, organization, and assessment of all relevant client data as well as identification of the client's financial concerns, goals and objectives. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. The primary objective of this process is to allow Capstone to assist the client in developing a strategy for the successful management of income, assets, and liabilities in meeting the client's financial goals and objectives.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to us. Clients may receive a written report which provides the client with a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We may review family records, budgeting, personal liability, determination of present net worth, education planning, estate information and financial goals.
- **TAX & CASH FLOW:** We may analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We may analyze investment alternatives; stock option strategies, and their effect on the client's portfolio.
- **INSURANCE:** We may review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We may analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We may review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We may assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, charitable objectives and planning, long term care, Medicaid and elder law.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

The following investment products may be recommended for portfolios:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- Exchange traded funds
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Alternative Investments
- Hedge funds

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

Implementation of financial plan recommendations is entirely at the client's discretion.

Capstone cannot offer any guarantees or promises that the client's financial goals and objectives will be met. Further, the client must continue to review any plan and update the plan based upon changes in the client's financial situation, goals, or objectives, or changes in the economy. As the client's financial situation, goals, objectives, or needs change, the client must notify Capstone promptly.

AMOUNT OF MANAGED ASSETS

As of December 31, 2012, we were actively managing approximately \$208,000,000 of clients' assets on a non-discretionary basis and \$25,000 of clients' assets on a discretionary basis.

Item 5: Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from .75% to 1.50%. There may be some additional

fees or expenses clients pay in connection with our advisory services. See General Information in the section below.

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

ASSETS UNDER MANAGEMENT

Fee Rate	Asset Breakpoints
1.25%	\$0 - \$500,000
1.00%	\$500,001 - \$1,000,000
.090%	\$1,000,001 - \$2,000,000
0.80%	\$2,000,001 - \$4,000,000
0.75%	\$4,000,001 - \$5,000,000
0.70%	\$5,000,001 +

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

A minimum of \$250,000 of assets under management is generally required for this service. This account size may be negotiable under certain circumstances. Capstone Advisory Group, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Limited Negotiability of Advisory Fees: Although Capstone Advisory Group, LLC has established the aforementioned fee schedule; we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, among other factors. The specific annual fee schedule applied to a specific client is identified in the contract between the adviser and that client.

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

If a variable annuity contract is used in the implementation of your recommended investment strategies and the commission is paid up front to the adviser, your advisory account will not include these investment assets when computing the asset-based fee.

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

PENSION CONSULTING FEES

We charge an annual fee for Pension Consulting Services which ranges from .25% to 1.00% of plan assets depending on the services requested and the size of the plan.

Plan sponsors are invoiced in advance at the beginning of each calendar quarter. Some Plan sponsors are invoiced in advance on a monthly basis.

A minimum fee of \$2,500 is required. This minimum fee may limit Capstone Advisory Group, LLC from providing services to very small ERISA plans.

FINANCIAL PLANNING FEES

Capstone Advisory Group, LLC's Financial Planning fees are calculated based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial planning fees are calculated using rates of up to \$100 per hour for staff time and \$250 per hour for advisor time. At the time a plan is proposed, Capstone will provide a good faith estimate of the time required to prepare a plan and the total cost to the client.

Fees Offset By Commissions: If a Financial Planning client executes recommended securities transactions through associated persons of our Firm in their separate capacities as registered representatives of a broker dealer, these individuals will earn commissions which are separate and distinct from fees charged for advisory services. In some instances, depending on the size of the transaction, advisory fees will be discounted, at our discretion, for commissions earned. Commissions will not be credited towards future advisory fees.

Financial Planning Fee Offset: Capstone Advisory Group, LLC reserves the right, at our discretion, to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our services.

The client is billed in advance based on our total estimated Financial Planning fees or billed in arrears based on actual hours accrued.

CONSULTING SERVICES FEES

Capstone Advisory Group, LLC's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Service fees may be calculated and charged on an hourly basis, ranging from \$100 to \$250 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

GENERAL INFORMATION

Termination of the Advisory Relationship: Capstone or the client may terminate the Advisory Agreement within five (5) days of the date of acceptance with no penalty. After the five (5) day period, either party may terminate this agreement for any reason upon receipt of thirty (30) days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period. Depending upon the type of

arrangement the client engaged in, there may be a modest termination fee by Capstone or a termination fee by the entity that managed or held the client's assets.

Capstone Advisory Fee Disclosure: Generally, Capstone advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Broker-dealers generally will have nominal transaction or "ticket" charges applied to purchases and sales in advisory accounts.

Clients may incur certain charges imposed by custodians, brokers, third party investment managers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer, electronic fund fees, termination fee, account transfer fees, and possible other fees and taxes on brokerage accounts and securities transactions.

Mutual Fund Fees: All fees paid to Capstone Advisory Group, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities, and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial fee or upon liquidation a deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Wrap Fee Programs and Separately Managed Account Fees: Capstone does not sponsor wrap fee programs. Capstone may recommend unaffiliated third party investment advisors to manage client assets; these third party money managers may be sponsors of wrap fee program. In this instance, clients will be provided with the Wrap Fee Program Brochure of that money manager.

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

ERISA Accounts: Capstone Advisory Group, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

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

Limited Prepayment of Fees: We do not require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Fee Payments: No payment for fees, securities, or any other item should be made payable to the individual adviser. Fee payments should be made payable only to Capstone Advisory Group, LLC. Payment for the purchase of securities should be made payable to the custodian for the account. The custodian for your account will never be Capstone, its employees, or Cambridge, the Firm's unaffiliated broker-dealer. Always be sure to list either your account number or Tax Identification Number (Social Security Number) on the face of your check

Item 6: Performance-Based Fees

Capstone Advisory Group, LLC does not charge 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

Capstone Advisory Group, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable and other non-profit organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our Firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

METHODS OF ANALYSIS

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

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

Fundamental analysis does not attempt to anticipate overall market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we to identify an appropriate ratio of equities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, and cash will change over time due to stock and market movements and, if not adjusted, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to successfully invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Third-Party Money Manager Analysis. We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that the manager may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are

providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

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

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

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

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

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

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

The two types of options are calls and puts:

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

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

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

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

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

Item 9: Disciplinary Information

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

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

Item 10: Other Financial Industry Activities and Affiliations

Clients should be aware that the receipt of additional compensation by Capstone Advisory Group, LLC and its management persons or employees creates a conflict of interest that may impair the objectivity of our Firm and these individuals when making advisory recommendations. Capstone Advisory Group, LLC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. The following represent our financial industry activities and affiliations.

Cambridge Investment Research, Inc.

The investment advisers are registered representatives of Cambridge Investment Research, Inc. ("Cambridge"), a registered broker-dealer, member of FINRA and SIPC. Clients are advised that they have total freedom to implement recommendations through any broker-dealer of their choosing. If clients choose to implement advice provided by the adviser in their capacity as a registered representative, Cambridge will provide the broker-dealer services. Commissions, mark ups and mark downs, "trail fees," may be earned by the adviser at Cambridge in addition to any fees paid for advisory services. Commissions may be higher or lower at Cambridge than at other broker-dealers.

Cambridge may also be used to execute mutual fund transactions. As registered representatives, the Firm may receive 12(b)-1 fees from certain mutual funds. This may result in additional compensation for Capstone and its advisers. These fees are outlined in the fund companies' prospectus. These fees come from the fund assets, therefore, indirectly from client assets. Since certain funds may have no fees or lower fees, there may be a potential conflict of interest when representing certain funds.

Other potential conflicts of interest by advisers may arise when having clients purchase securities, and/or insurance related products through Cambridge. As a registered representative of Cambridge, the higher their production, the greater potential for obtaining

a higher pay-out on commissions earned. Further, registered representatives are restricted to only offering those products and services that Cambridge and their affiliates have reviewed and approved, and are required to use the services of Cambridge when acting in this capacity.

Continuity Partners Group, LLC

Advisor's controlling owners are members of and have invested in Continuity Partners Group, LLC (CPG). CPG is a related company of Cambridge that provides tools and programs to certain Cambridge registered representatives, such as Advisor's investment advisor representatives that are also registered representatives with Cambridge. CPG tools are designed to enhance the value of the members' retail practices and to provide a source to finance the transitioning of the members' practices. CPG members are eligible to participate in the programs offered by CPG which are designed to improve the continuity of its members' practices and improve the long term viability of the members' practices.

Advisor's controlling owners have purchased units of CPG limited liability company interests in exchange for the assignment by Advisor's controlling owners of certain practice related intangible assets to CPG and the assignment to CPG by Advisor's controlling owner(s) of up to 10% of the advisory fees received by Advisor.

In addition to the fee revenue assignment, the Advisor's controlling owners has agreed to contribute or assign a portion of its various practice related assets to CPG. Contributed assets includes CPG's right to receive a portion of the proceeds of any sale of the Advisor's controlling owners practice, a portion of the Advisor's controlling owners interest in their customer list, and other intangible assets owned by either the Advisor's controlling owners or assets currently held by Advisor.

The arrangement between Advisor's controlling owners and CPG is a potential conflict of interest between Advisor and its clients in that it may inhibit Advisor's independent judgment concerning the best execution services offered by Cambridge.

CPG is registered as an investment advisor with the SEC because it acquires the goodwill associated with certain client relationships served by Cambridge registered representatives such as Advisor. Correspondingly, CPG will receive a portion of advisory fees generated from such investment advisory client relationships. Advisory fees are paid directly by Advisor to CPG. It should be noted that CPG does not provide retail investment advisory services. Clients of Advisor will not enter into a direct client relationship with CPG.

Various Insurance Agencies

All of our advisers are insurance agents/and or brokers for various independent insurance companies. Therefore, these advisers may be able to affect the purchase of insurance products to implement recommendations for clients. They may sell insurance products, including but not limited to, life, disability income and long term care products, and may receive additional compensation on the sale of such products.

We take the following steps to address conflicts:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our Firm and our employees to earn compensation from advisory clients in addition to our Firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our Firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our Firm;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients; and
- we annually review alternative broker-dealer and custodians in the marketplace to ensure Cambridge and its custodians are meeting the Firm's duty to provide best execution for client accounts.

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

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

Capstone Advisory Group, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

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

Capstone Advisory Group, LLC's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

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

Our Firm and/or individuals associated with our Firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our Firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts. Please obtain a copy of our Code of Ethics which outlines in more detail the black-out periods and time constraints.

Capstone's Code of Ethics address provisions relating to the confidentiality of client information. Confidential information generally means all information not publicly available (through the media or public records). Capstone's policy prohibits individuals associated with the Firm from disclosing, directly or indirectly, any confidential information to anyone other than Capstone personnel and authorized professional advisers, broker-dealers, attorneys, or accountants, who need such information in order to provide their services on behalf of the client.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to gmortenson@capstoneadvgroup.com, or by calling us at 952-562-2444.

Item 12: Brokerage Practices

Capstone Advisory Group, LLC does have certain product providers where the Firm may receive soft-dollar or soft dollar benefits. Associated persons of Capstone may from time to time attend conferences put on by various vendors and/or wholesalers. These conferences are generally provided to associated persons at no cost to the Firm. The Firm does periodically review their soft dollar arrangements and monitors the Firm's policy.

Cambridge, the Firm's broker-dealer affiliate, provides us with back-office operations technology, and other administrative support. They also provide software and other technology that provide access to client account data, facilitate trade execution; provide research, pricing information and other market data; and facilitate payment of adviser's fees from its clients' accounts, including accounts not held through Cambridge.

Capstone does not create an incentive to select, recommend, or direct client transactions to a particular entity in return for soft dollar benefits. These products and services provide a lawful and appropriate assistance to the Firm in the performance of its investment decision making responsibilities.

Capstone is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same

securities for other clients of Capstone. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

Item 13: Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS")

INDIVIDUAL PORTFOLIO MANAGEMENT

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

These accounts are reviewed by: Gregory Mortenson, Compliance Officer.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we review periodic statements provided by various custodians as they are received. Reports are available to clients at any time online using the Albridge reporting systems.

PENSION CONSULTING SERVICES

REVIEWS: Capstone Advisory Group, LLC will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Capstone Advisory Group, LLC will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Gregory Mortenson, Compliance Officer.

REPORTS: Capstone Advisory Group, LLC will provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment Policy Statement (IPS).

SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS

REVIEWS: These client accounts should refer to the independent registered investment adviser's firm brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Capstone Advisory Group, LLC will provide review of these managers' statements on a quarterly basis. We will monitor managers to ensure their performance and investment style remains consistent with their investment goals and objectives.

These accounts are reviewed by: Gregory Mortenson, Compliance Officer.

REPORTS: These clients should refer to the independent registered investment adviser's firm brochure (or other disclosure document used in lieu of the brochure) for information

regarding the nature and frequency of reports provided by that independent registered investment adviser. Generally, the independent advisers provide portfolio and performance reports directly to each client on a quarterly basis. The exact content and format of these reports will vary but should include a summary of the portfolio holdings, the allocation of assets into various classes or sub classes, and performance data comparing the results of the portfolio in comparison to various market indexes.

Capstone Advisory Group, LLC does not typically, but may provide reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets.

FINANCIAL PLANNING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise agreed. If agreed, client financial plan accounts are reviewed on a regular and continuous basis depending on the size, complexity, and individual circumstances of the client during the initial retainer period (if any). Subsequent to the initial retainer period, financial plans are reviewed at least annually.

Financial plans are reviewed by: Gregory Mortenson, Compliance Officer.

REPORTS: Financial Planning clients may receive a completed financial plan. Additional reports will not typically be provided unless otherwise agreed.

CONSULTING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

REPORTS: Consulting services clients will not typically receive reports due to the nature of the service.

Item 14: Client Referrals and Other Compensation

It is Capstone Advisory Group, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our Firm.

It is Capstone Advisory Group, LLC's policy not to allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15: Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our Firm directly debits advisory fees from client accounts.

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

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our Firm does not have actual or constructive custody of client assets.

Item 16: Investment Discretion

Our Firm offers both discretionary and non-discretionary asset management to all clients. For discretionary accounts, we accept authority to manage securities accounts on behalf of clients. Capstone Advisory Group, LLC 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. The client will authorize Capstone Advisory Group, LLC discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement. For accounts where client does not authorize discretion, we will consult with the client prior to each trade.

The client approves the custodian to be used and the commission rates paid to the custodian. Capstone Advisory Group, LLC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Item 17: Voting Client Securities

As a matter of Firm policy, we do not vote proxies on behalf of advisory clients. Therefore, although our Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions, but the client always retains the proxy voting responsibility.

Item 18: Financial Information

The Firm does not custody client funds or securities, and under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory Firm we are subject to rules that may require the Firm to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Capstone Advisory Group, LLC has no additional financial circumstances to report.

Capstone Advisory Group, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.