

# Compton Financial Group, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Compton Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (410) 321-0168 or by email at: [chris@comptonfinancial.com](mailto:chris@comptonfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Compton Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Compton Financial Group, LLC's CRD number is: 166912*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Compton Financial Group, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

## Item 3: Table of Contents

Item 1: Cover Page	
Item 2: Material Changes .....	i
Item 3: Table of Contents .....	ii
Item 4: Advisory Business .....	1
A. Description of the Advisory Firm.....	1
B. Types of Advisory Services.....	1
Investment Supervisory Services .....	1
Financial Planning.....	1
Services Limited to Specific Types of Investments .....	2
C. Client Tailored Services and Client Imposed Restrictions .....	2
D. Wrap Fee Programs.....	2
E. Amounts Under Management.....	2
Item 5: Fees and Compensation.....	3
A. Fee Schedule.....	3
Investment Supervisory Services Fees.....	3
Financial Planning Fees .....	4
Hourly Fees .....	4
B. Payment of Fees.....	4
Payment of Investment Supervisory Fees .....	4
Payment of Financial Planning Fees .....	4
C. Clients Are Responsible For Third Party Fees .....	4
D. Prepayment of Fees .....	4
E. Outside Compensation For the Sale of Securities to Clients.....	5
1. This is a Conflict of Interest.....	5
2. Clients Have the Option to Purchase Recommended Products From Other Brokers .....	5
3. Commissions are the Primary Source of Income for this RIA .....	5
4. Advisory Fees in Addition to Commissions or Markups.....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	6
Minimum Account Size.....	6
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	6
A. Methods of Analysis and Investment Strategies.....	6
Methods of Analysis .....	6
Fundamental analysis.....	6
Technical analysis.....	6

Investment Strategies.....	6
B. Material Risks Involved .....	6
Methods of Analysis .....	6
Fundamental analysis .....	6
Technical analysis.....	7
Investment Strategies.....	7
C. Risks of Specific Securities Utilized .....	7
Item 9: Disciplinary Information .....	8
A. Criminal or Civil Actions .....	8
B. Administrative Proceedings .....	8
C. Self-regulatory Organization (SRO) Proceedings .....	8
Item 10: Other Financial Industry Activities and Affiliations.....	9
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	9
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor .....	9
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests.....	9
D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections .....	9
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
A. Code of Ethics.....	9
B. Recommendations Involving Material Financial Interests .....	10
C. Investing Personal Money in the Same Securities as Clients.....	10
D. Trading Securities At/ Around the Same Time as Clients' Securities .....	10
Item 12: Brokerage Practices.....	10
A. Factors Used to Select Custodians and/or Broker/Dealers .....	10
1. Research and Other Soft-Dollar Benefits .....	10
2. Brokerage for Client Referrals .....	11
3. Clients Directing Which Broker/Dealer/Custodian to Use .....	11
B. Aggregating (Block) Trading for Multiple Client Accounts .....	11
Item 13: Reviews of Accounts .....	11
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews.....	11
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts.....	11
C. Content and Frequency of Regular Reports Provided to Clients.....	12
Item 14: Client Referrals and Other Compensation .....	12
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	12
B. Compensation to Non – Advisory Personnel for Client Referrals.....	12
Item 15: Custody.....	12
Item 16: Investment Discretion .....	12
Item 17: Voting Client Securities (Proxy Voting).....	13
Item 18: Financial Information.....	13

A.	Balance Sheet .....	13
B.	Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	13
C.	Bankruptcy Petitions in Previous Ten Years .....	13
Item 19: Requirements For State Registered Advisers .....		13
A.	Principal Executive Officers and Management Persons; Their Formal Education and Business Background .....	13
B.	Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any).....	13
C.	How Performance-based Fees are Calculated and Degree of Risk to Clients .....	14
D.	Material Disciplinary Disclosures for Management Persons of this Firm .....	14
E.	Material Relationships That Management Persons Have With Issuers of Securities (If Any) .....	14

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Compton Financial Group, LLC is a Limited Liability Company organized in the state of Maryland. The firm was formed in since January of 2013. The principal owner is RL Compton & Associates, Inc., which is owned by Christopher P. Compton and Jason Michael Simmons.

### B. Types of Advisory Services

Compton Financial Group, LLC (hereinafter "CFG") offers the following services to advisory clients:

#### *Investment Supervisory Services*

CFG offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CFG creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

CFG evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. CFG will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

### ***Services Limited to Specific Types of Investments***

CFG generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, REITs, insurance products including annuities, and government securities. CFG may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

CFG offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

CFG participates in wrap fee programs, which are investment programs where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. CFG manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to CFG as a management fee.

### **E. Amounts Under Management**

CFG has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$95,904,425.00	\$0.00	01/2015

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
Up to \$50,000	1.40%
\$50,000 - \$100,000	1.35%
\$100,001 - \$250,000	1.30%
\$250,001 - \$500,000	1.20%
\$500,001 - \$750,000	1.10%
\$750,001 - \$1,000,000	0.95%
\$1,000,001 - \$2,000,000	0.85%
Above \$2,000,000	0.75%

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with written notice. Fees are based on the assets under management on the last day of the previous quarter.

Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

Advisory fees are withdrawn directly from the client's accounts with client written authorization. CFG will deduct fees directly from client accounts using the safeguards below:



1. CFG has written authorization from the client to deduct advisory fees from the account held with a qualified custodian.
2. Each time a fee is deducted CFG will send the qualified custodian notice of the amount of the fee to be deducted and will also send the client an invoice itemizing the fee including the formula used to calculate the fee, the amount of assets under management upon which the fee is based, and the period covered by the fee.
3. The custodian will send statements, at least quarterly, to the client showing all disbursements for the custodian account, including the amount of the advisory fees.

### ***Financial Planning Fees***

#### ***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$150 and \$350. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

The fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization and paid quarterly in advance. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

### **C. Clients Are Responsible For Third Party Fees**

Clients who do not participate in the wrap fee program are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CFG. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

CFG collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Financial Planning Fees will be returned within fourteen days to the client via mailed check. Investment Supervisory Fees will be deposited back into client's account within fourteen days.

The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter).

### **E. Outside Compensation For the Sale of Securities to Clients**

Christopher P. Compton and Jason Michael Simmons in their role as registered representatives accept compensation for the sale of securities to CFG clients.

#### ***1. This is a Conflict of Interest***

The supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, they will document the conflict of interest in the client file and inform the client of the conflict of interest.

#### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase CFG recommended products through other brokers or agents that are not affiliated with CFG.

**3. *Commissions are the Primary Source of Income for this RIA***

Commissions are not CFG's primary source of compensation.

**4. *Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

CFG does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**Item 7: Types of Clients**

CFG generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans

***Minimum Account Size***

There is no account minimum.

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

**A. Methods of Analysis and Investment Strategies**

***Methods of Analysis***

CFG's methods of analysis include fundamental analysis and technical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

### ***Investment Strategies***

CFG uses long term trading, short term trading, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

### ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

CFG generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment

returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**Real Estate** funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Options writing** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Christopher P. Compton and Jason Michael Simmons are registered representatives of LPL Financial LLC (6413).

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CFG nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Christopher P. Compton and Jason Michael Simmons are registered representatives of LPL Financial LLC (6413). Christopher P. Compton and Jason Michael Simmons are also licensed insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. CFG always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients

are in no way required to implement the plan through any representative of CFG in such individual's outside capacities.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

CFG does not utilize nor select other advisers or third party managers. All assets are managed by CFG management.

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

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

CFG does not recommend that clients buy or sell any security in which a related person to CFG or CFG has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CFG may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of CFG to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CFG will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CFG may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of

Form ADV 2A Version: 1/8/2015

CFG to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CFG will always transact client's transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

In selecting a custodian/broker-dealer, CFG will consider the full range of service offered by each company. At a minimum, the following will be examined and reviewed:

- Execution capabilities (e.g., ability to handle applicable trades based on CFG's business model and answer calls in a volatile market);
- Trade fees and commission rates;
- Financial condition of the company;
- Value of research or additional brokerage services provided;
- Technology platforms provided and compatibility with CFG's technology;
- Responsiveness to time-sensitive issues; and
- Advisor Firm Interfacing (e.g., willingness, facilities, infrastructure, and dedicated personnel in place to work with CFG).

The custodian, LPL Financial LLC (6413), was chosen based on, *inter alia*, its access to mutual funds and ETFs, technology offerings, and strong trading platform. CFG will never charge a premium or commission on transactions beyond the actual cost imposed by the custodian; however, the fees charged by LPL Financial LLC (6413) may exceed those charged by other broker-dealer firms (e.g., online discount brokers).

#### **1. Research and Other Soft-Dollar Benefits**

CFG receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### **2. Brokerage for Client Referrals**

CFG receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

CFG allows clients to direct brokerage; however, CFG may recommend custodians. CFG may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to

Form ADV 2A Version: 1/8/2015



direct brokerage CFG may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

CFG maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing CFG the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by Christopher P. Compton and Jason Michael Simmons, Managing Members. Christopher P. Compton and Jason Michael Simmons are the chief advisors and are instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at CFG are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Christopher P. Compton and Jason Michael Simmons, Managing Members. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CFG does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CFG clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

CFG does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

CFG, with client written authority, has limited custody of client's assets through direct fee deduction of CFG's fees only. If the client chooses to be billed directly by LPL Financial LLC (6413), CFG would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

For those client accounts where CFG will have investment discretion, the client has given CFG written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides CFG discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian. By granting CFG discretionary authority, the client may not impose any limitations.

## **Item 17: Voting Client Securities (Proxy Voting)**

CFG will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CFG does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CFG nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

CFG has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

CFG currently has two management persons/executive officers; Christopher P. Compton and Jason Michael Simmons. Christopher P. Compton and Jason Michael Simmons' education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Christopher P. Compton and Jason Michael Simmons' other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance-based Fees are Calculated and Degree of Risk to Clients**

CFG does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at CFG or CFG has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

**E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither CFG, nor its management persons, has any relationship or arrangement with issuers of securities.