



CAPITAL FORMATION GROUP, INC.

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March 30, 2018

This Disclosure Brochure (“Brochure”) provides information about the qualifications and business practices of Capital Formation Group, Inc. (hereafter referred to as “us”, “we”, “our”, “the firm”, “the company”, “the corporation” or “CFG”). If you have any questions about the contents of this Brochure or our firm, please contact CFG’s Chief Compliance Officer, James Lee, at (781) 237-0123 or send an email to info@capformgroup.com. This Brochure will be filed with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

CFG is registered as an investment adviser with the SEC, and additional information about CFG is available on the SEC’s website at www.adviserinfo.sec.gov. Investment adviser registration by itself does not imply a certain level of skill or training.

Item 2: Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the Brochure that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2018 has been prepared according to the SEC’s new requirements and rules.

This Item 2 discusses only specific material changes that have been made to the Brochure since the firm’s last filing on March 30, 2017. Clients wishing to receive a complete copy of our current Brochure may request a copy, free of charge, by contacting CFG’s Chief Compliance Officer, James Lee, at (781) 237-0123 or by emailing info@capformgroup.com.

Summary of Material Change

Effective October 21, 2017, Capital Formation Group, Inc. moved its Massachusetts office to a new location at 62 Walnut Street, Wellesley, MA 02481. Our telephone numbers have remained the same. The direct dial phone number is (781) 237-0123 and facsimile number is (781) 237-1696.

Certain other sections of the Brochure have been updated; however, such changes have not been deemed to be material in nature and have therefore been omitted from this summary.

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Item 4: Advisery Business

Our Firm

CFG has been a registered investment adviser since 1985, growing to provide a comprehensive range of financial services and products to anticipate and meet our clients' needs.

Our principal owners are John D. Williams, Michael J. Toomey and William M. Doran, Jr.

Our Services

CFG offers the following services:

Financial Independence Planning

We work with clients to identify and set aside the capital they need to be financially independent, which we consider an important predicate to investment management. This involves probability of success/portfolio design and may also entail any or all of tax qualified retirement and deferred compensation planning, private banking services, and insurance advice and coordination. This service is often a prelude to establishing an investment management relationship, but it may be provided on a standalone basis.

Investment Management

CFG, directly or through its sub adviser(s) (see details below), works with clients to customize portfolios to their individual needs, taking into account investment goals, time horizons, risk tolerances, tax issues, liquidity needs and special situations; this process determines a client's optimal asset allocation. The relationship begins with multiple client meetings to establish the above information. CFG then focuses on investment structure and selection. As part of the process, clients may at any and all times impose restrictions on investing in certain securities or types of securities. CFG can and may invest in any and all asset classes where appropriate for a given client, including but not limited to, passive, index-like investments and active, manager-based investments. CFG typically invests client assets in mutual funds and exchange-traded funds (ETFs), but we may also invest in individual securities or we may place client assets in separately managed accounts with third-party investment advisers with particular expertise, in pooled investment funds, or in other types of investments. For example, when a substantial investment in individual municipal bonds is appropriate for a particular client, we will place that portion of the client's portfolio with a third-party investment adviser.

CFG primarily provides full discretionary management of client portfolios, meaning that CFG selects the investments or the third-party investment advisers without the need to consult the client beforehand. We measure the performance of a client's portfolio monthly, using an external third-party performance measurement service, against the client's investment objectives, as well as appropriate market indices.

CFG also provides investment advice without direct portfolio management and consults on securities-related matters; for example, in connection with estate planning, retirement planning, or any other investment or financial concern.

CFG has entered into a written sub advisory agreement with Ingalls & Snyder, LLC, an unaffiliated SEC registered investment adviser, to provide Investment Advisery Services to all or a portion of CFG's client portfolios, as appropriate. As applicable, CFG will monitor the sub adviser and may, from time to time and in its sole discretion, hire and/or replace any sub adviser as part of our engagement to manage the

client's portfolio(s) consistent with the client's objectives. CFG will ensure that, as appropriate, the client receives a copy of the disclosure document (Form ADV Part 2, or other disclosure documents in lieu of Part 2) of any sub adviser selected to manage all or a portion of a client's account assets.

Related Services

CFG also provides related financial services and products to meet our clients' needs, including Insurance Management, Estate Management, Tax Planning, Business Planning, and other Family Office Services. Further information is available on our website or upon request to our office.

In all cases, where CFG does not have the necessary expertise in-house, we refer the client to selected advisers or service providers.

CFG is not responsible for monitoring the occurrence or status of class action securities litigation or other legal claims affecting investments of client accounts, nor participating in or taking any action with respect to any such proceedings. However, we will consult with clients on such matters as reasonably requested.

Assets Under Management

As of December 31, 2017, CFG had total assets under management of \$152,096,429 consisting of \$108,827,422 on a discretionary basis and \$43,269,007 on a non-discretionary basis.

Item 5: Fees and Compensation

Investment Management Services

Fees for CFG's investment management services are typically 1.00% of assets under management ("AUM") per annum, but may be individually negotiated if circumstances warrant. Solely at the discretion of CFG's Chief Investment Officer or its sub adviser, smaller accounts may be invested in one of our current custodian's mutual fund MarketTrack Portfolios, which feature diversified indexing strategies aligned with the client's target risk level as stated in the client's Investment Policy Statement. For those accounts, CFG will reduce its fee to .40% of AUM. CFG will also reduce its fee to .40% of AUM for assets invested in individual municipal bonds managed by a third-party investment adviser in a separately managed account. Third-party advisers with whom CFG client assets may be invested also charge fees, which may include a component that is based on the investment performance of the account. CFG's fees are not reduced by the amount of fees payable to third-party investment advisers.

CFG's investment management fees are payable monthly in arrears at the beginning of the following month and are deducted directly from the client's account upon CFG's notification to the custodian. Third-party adviser fees may be payable on a different schedule such as quarterly in arrears.

Mutual funds and ETFs in which client assets are invested also charge management fees and incur expenses, and may impose initial or deferred sales charges, which are disclosed in the fund's prospectus or other offering document, which is available upon request. CFG's fees are not reduced by the amount of these fees, expenses or charges. CFG's fees are also exclusive of custodial fees, brokerage commissions and other transaction costs, which are incurred by the client's account. Please see "Brokerage Practices" below for a description of the factors that CFG considers in selecting or recommending broker-dealers for client transactions. Clients may also incur various other types of charges imposed by custodians, brokers and other third parties, including but not limited to transfer taxes and wire and electronic fund transfer fees. CFG does not receive any load charges, 12b-1 or other

account servicing fees from any fund or investment manager, nor any portion of any of the fees and charges referred to above. CFG has no financial interest in any third-party investment adviser except as may be noted in this document.

A client may, of course, invest directly in mutual funds, ETFs or pooled investment funds without paying a management fee to CFG. However, in that case, the client would not receive CFG services, including selection of funds or other investments intended to be appropriate for the client's investment objectives. Similar advisory services may be available from other registered investment advisers for lower fees.

A client may terminate the investment advisory contract, without penalty, immediately upon written notice. Termination of CFG services during a month will incur a pro-rated portion of fees for that month.

Insurance products provided by CFG affiliates may include an investment component. CFG personnel and an affiliated company receive additional compensation in connection with establishing insurance arrangements. This compensation and the conflicts of interest that may be involved are described in "Other Financial Industry Activities and Affiliations" below.

Financial Planning

Fees for financial planning and investment consulting services, which are generally fixed in advance, are negotiated for the particular assignment based on the complexity of the plan. The actual scope of services and fees will be agreed upon based on the client's specific needs and situation. Fees range from \$1,000.00 to \$50,000.00 with one-half of the total fee agreed upon due upon engagement and the remainder of the fee due upon completion of the service(s) or an agreed upon timeframe prior to the completion of the service(s).

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

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

Item 7: Types of Clients

CFG provides portfolio management services to individuals, trusts, pension and profit sharing plan participants, charitable organizations, foundations and endowments. CFG requires a minimum portfolio of \$250,000; however, exceptions may be made at CFG's discretion.

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

In evaluating investments for clients' accounts, CFG, and its sub adviser, primarily utilize the fundamental method of security analysis. This method relies on financial and economic data in evaluating the liquidity, solvency, efficiency and the potential benefits of a company or groups of companies comprising an industry, sector, or asset class. Typical data used in this method comes from sources such as financial newspapers and magazines, inspections of corporate activities, research materials prepared by third parties, corporate rating services, annual reports, prospectuses, SEC filings, company press releases, etc. A material risk to the fundamental method of security analysis is any given market can over- or under-value a security or group of securities as compared to its perceived fundamental value. Additionally, significant due diligence by different parties can lead to differing opinions on the fundamental value of a security or group of securities.

We do not have a fixed list of potential investments, nor do we set a minimum or maximum on the number of securities that may be held in any client's portfolio.

Our selection process for mutual funds and ETFs involves a detailed examination, including the following processes. These are also used for other investments and for evaluating third-party investment advisers to the extent applicable in any case.

We perform a quantitative analysis of the particular fund or other investment, analyzing the total return during applicable individual and rolling historical periods, its index-relative performance measures, up and down market capture and Alpha, its drawdowns and recovery periods, and its basic style qualifications and style-relative performance measures. We also review risk statistics including, for example, but not limited to, standard deviation, Sharpe, Sortino and Calmar Ratios. In assessing the fund's relative performance in its class, we consider whether the costs of active management are in line with its performance and/or the asset class and whether the assets under management are appropriate for the asset class. We also ask in what market environment(s) the product will have difficulty outperforming.

We perform a qualitative analysis of the investment adviser, addressing topics such as whether there is a coherent investment philosophy and an identifiable competitive advantage. We look for deep, stable and experienced management teams that have a high level of integrity, have weathered multiple market cycles, and have a stake in the success of the firm, preferably majority ownership that will ensure longevity. We consider the techniques used by management to identify and control overall portfolio risk. We assess what the factors leading to previous out-performance were and whether they are repeatable.

When giving investment advice to clients, CFG, and its sub adviser, focuses on implementing strategies best suited to a clients' pre-determined investment profile. These may include but are not limited to long-term purchases (holding securities for at least one year), short-term purchases (selling securities within one year of purchase), short sales, margin transactions and option writing (which may include covered options, uncovered options or spreading strategies).

Investing in securities, no matter what strategy is used, involves a variety of types of risk of loss that clients should be prepared to bear. Some or all of the following apply to any investment:

- *Interest-Rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed

income securities.

- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product.

Item 9: Disciplinary Information

We are required to disclose any legal or disciplinary events that would be material to clients' evaluation of CFG or the integrity of CFG's management. CFG is not aware of any events of this nature.

Item 10: Other Financial Industry Activities and Affiliations

Insurance Activities

The principal duties of John D. Williams, our Founder and CEO, involve insurance planning and sales through an affiliate of CFG, Capital Formation Insurance Agency, Inc. ("CFIA"), which takes up approximately 75% of his time. Mr. Williams and other CFG personnel advise clients on designing their optimal insurance plans, which may include life, disability, and long-term care insurance. They then may assist the clients in obtaining insurance products of various insurance companies or the clients may obtain those products elsewhere.

Insurance products may include an investment component, so CFIA offers them through a registered broker-dealer, Valmark Financial Group ("Valmark"). Mr. Williams and other employees are Registered Representatives of Valmark for the sale of variable life and variable annuity products, but CFG does not place any brokerage business through Valmark. When our clients purchase insurance products through us, CFIA receives commissions (which may include both initial and continuing payments) based on the size and nature of the respective policies, either through Valmark or directly from the carrier.

Because CFIA receives commissions based on the size and nature of the policies sold to our clients, there is a conflict between our clients' interests and ours, since we have an incentive to recommend policies based on the compensation we receive rather than the client's needs. We disclose this situation to each client to whom we offer insurance products, and clients are under no obligation to accept or implement these recommendations through CFIA.

Relationships with Other Advisers and Financial Industry Participants

As discussed above, CFG may engage third-party investment advisers to manage portions of clients' investment management accounts. CFG has entered into a written sub advisory agreement with Ingalls & Snyder, LLC, an unaffiliated SEC registered investment adviser, to provide Investment Advisory Services to all or a portion of CFG's client portfolios, as appropriate.

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

CFG seeks to foster a reputation for openness, integrity, honesty, and trust with the highest standards of

professionalism. To further this goal, CFG has adopted a Code of Ethics Policy, which sets out the standards of business conduct that we require of our personnel, reflecting our and their fiduciary obligations and requiring our personnel to comply with applicable federal securities laws. The Code includes an Insider Trading Policy designed to deter the misuse of material non-public information and other procedures intended to avoid conflicts of interest between clients and CFG personnel in connection with personal securities transactions. Advisory personnel of CFG are required to disclose personal securities transactions to the firm. CFG will provide a copy of its Code of Ethics Policy to any client or prospective client upon request.

CFG and its related persons may buy or sell for their own account securities that the firm recommends or purchases or sells for client accounts. CFG and its related persons may also take investment actions for their own or client accounts that differ from actions taken or recommendations made for other clients as a result of different or potentially different circumstances, strategies, or goals. However, as a fiduciary to our clients, we seek to place client interests first. In order to comply with our legal and fiduciary duties and to avoid conflicts of interest, it is CFG's policy that personnel must comply with applicable federal and state law and that neither the firm nor any related person may use confidential information about client accounts in making personal transactions, take personal advantage of investment opportunities that properly belong to clients, or act on the basis of material, nonpublic (inside) information about the issuer of a security in taking investment action for either client or personal accounts, even if that would benefit the account.

In general, with respect to relatively liquid securities (that is, securities that are widely held and that trade in institutional markets), the firm and its related parties may trade in the same securities contemporaneously with directing trades on behalf of client accounts. Considering the types and amount of securities that CFG manages, we do not believe that any such trading would have any appreciable impact upon the prices of such securities. In those rare cases where the security being traded for a client account is considered illiquid, all client purchases and sales will be executed before any transactions in the same security for the account of CFG or any of its related parties.

In the event that there is a conflict of interest with a transaction that is offered to a client, a written disclosure indicating involvement or possible conflict will be provided to the client for acknowledgement.

Please refer to "Other Financial Industry Activities and Affiliations" above, which describes the commissions payable to CFIA with respect to sales of insurance products to CFG clients.

Item 12: Brokerage Practices

Selection of Broker-Dealers

CFG has discretion to select broker-dealers for managed accounts or clients may direct us to execute all trades through their custodian or another particular broker. In the case of transactions in mutual funds, the variables we take into account relate solely to the charges imposed by the custodian or other broker under consideration, since the pricing is fixed by the fund and execution is directly with the fund. Where we have discretion for transactions in ETFs or individual securities, we select broker-dealers that will provide the best execution considering a variety of factors including the overall cost of a trade: that is, net price paid or received, including commissions, custodial charges (including extra charges the custodian may impose for executing a transaction through an unaffiliated broker), and any other transaction costs. Other factors are always considered in any trading relationship, including the broker-dealer's quality of

execution, accurate and timely execution, clearance and error dispute resolution, reputation, financial strength, reliability and stability.

Soft Dollars

CFG engages in no soft dollar transactions at this time and receives no benefit from client brokerage.

Directed Brokerage

Clients entering into an advisory relationship with us may already have a relationship with a broker-dealer, e.g., their custodian, and wish to instruct the firm to execute transactions through that broker-dealer. If we accept such direction, the client is retaining some of the discretion it would otherwise have conveyed to us to select broker-dealers, and it is the client's responsibility to satisfy him or herself about the adequacy of these arrangements. Any such client direction will be subject to the considerations described here, irrespective of any written or oral procedures we may agree to with the client. Clients who direct us to use a particular broker may not be able to participate in aggregated trades, as described below, unless we are executing those trades through the directed broker.

If a client directs the use of a particular broker, there may be differences between the brokerage commissions charged to the account of the client that directed us to use that broker and the accounts of those clients that did not, even for trades executed through the same broker. Consequently, if a client restricts CFG's ability to choose broker-dealers, it may well impair our ability to obtain best execution for that client and the client may pay higher costs than otherwise.

Block Trading

CFG may aggregate orders to buy or sell the same security for multiple accounts (called "block trading"). Block trading may allow the firm to execute equity trades in a more timely and equitable manner. Each account that participates in an aggregated order generally receives the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day. Partially filled orders would generally be allocated pro rata among the participating accounts. Exceptions may be made in good faith compliance with the firm's allocation policy, provided that no account is systematically disadvantaged thereby. CFG always aggregates trades when possible but market conditions, new client accounts and other factors may limit our ability to aggregate.

Item 13: Review of Accounts

Investment advisory accounts are continuously monitored by CFG directly or through its sub adviser. CFG personnel, and/or its sub adviser, attempt to hold formal reviews with clients annually, at minimum, to review accounts and other relevant economic and market information and to discuss and determine asset allocation, but formal reviews occur as often or as little as possible, according to client direction. We semi-annually rebalance our portfolios to individual client investment targets, but extreme market conditions can force rebalancing of the entire portfolio, or a given asset class, at any time.

CFG provides clients with monthly account investment performance reports, including a comparison to appropriate market indices, electronically or by printed copy, per client discretion. Each client's custodian provides monthly investment holdings, electronically or by printed copy, per client discretion. Information on client assets and holdings are available continuously through the custodian(s) website. Also included in the reports are transaction schedules and account appraisals. More frequent contacts are

made in writing and by telephone where circumstances warrant. CFG directly, or through its sub adviser, also provides quarterly market newsletters delivered electronically or by printed copy, per client discretion.

Item 14: Client Referrals and Other Compensation

CFG does not currently directly or indirectly compensate any person for client referrals.

Item 15: Custody

CFG's client assets are maintained with a qualified custodian to hold, maintain control of and be responsible for safeguarding the client's assets. CFG does not act as a direct custodian over the assets in the accounts we manage for our clients nor do we have physical custody of any funds or securities. For regulatory purposes, CFG is deemed to have custody of your assets if you authorize CFG to instruct your custodian to deduct our advisory fees directly from your account. Some clients require that their assets be held by their preferred third party custodian and not by CFG's qualified custodian. In these instances, the custody agreement is between the client and their third party custodian. For these non-custodian accounts, statements are sent by the third party custodian directly to the client. Clients should receive, at least quarterly, statements directly from the qualified custodian that holds and maintains their investment assets. CFG encourages clients to carefully review those statements promptly when received.

Item 16: Investment Discretion

When CFG, or its sub adviser, has discretionary management authority for client portfolios, we select the securities to be bought or sold and the amounts, and make other investment decisions, without consulting the client beforehand. In addition to our Investment Advisory Contract, clients typically sign limited powers of attorney granting this authority, which are provided to the custodian(s) of the clients' assets and other service providers. At any time, we may agree with the client to limitations on our discretionary authority as to the type or amount of securities to be bought and sold, the credit quality of securities purchased, and other relevant factors.

Item 17: Voting Client Securities

CFG, as a matter of firm policy and as a fiduciary to our clients, maintains responsibility for voting proxies for portfolio securities consistent with the best economic interest of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Clients may obtain a copy of the firm's complete proxy voting policy and procedures, or information on how proxies for their shares were voted, upon request.

Item 18: Financial Information

CFG does not require or solicit prepayment of more than \$1,200 in fees from any client six months or more in advance. Accordingly, it is not required to provide a balance sheet pursuant to this Item 18.

As of the date of this filing, CFG is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to its clients.

Neither the Firm nor its related persons have been the subject of a bankruptcy petition at any time during the past ten years.