

**Item 1: Cover Sheet**

**FORM ADV PART 2A**

**INFORMATIONAL BROCHURE**

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**This brochure provides information about the qualifications and business practices of CAPSTONE INVESTMENT FINANCIAL GROUP, LLC. If you have any questions about the contents of this brochure, please contact us at (877) 491-7514. 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. Our registration does not imply a certain level of skill or training.**

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

**Item 2: Statement of Material Changes**

We have made no material changes since our last annual update from March 2019.

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## INFORMATIONAL BROCHURE

### CAPSTONE INVESTMENT FINANCIAL GROUP, LLC

#### **Item 4: Advisory Business**

CAPSTONE INVESTMENT FINANCIAL GROUP, LLC ("CIFG" or "Capstone") has been in business since 2005. James Cornehlisen and Elizabeth Cornehlisen are the firm's only principal owners.

CIFG provides personalized investment management services. We typically work with individuals, investment companies, pension and profit sharing plans, trusts, estates, charities, corporations, other business entities and other investment advisory firms.

##### Financial Planning

Financial planning is the process by which the client's current circumstances (which include assets as well as liabilities, insurance, tax, retirement, education and other perspectives) are viewed against the client's goals, and a plan is developed to help the client reach those goals. In order for us to perform this service, the client will provide all information relevant to their financial position (income, savings, insurance, other investments, age, liabilities, personal obligations, etc.) and ultimate financial goals (retire dates, estate objectives, spending targets, etc.). Information is collected by personal interview, phone conference and/or in writing. Once collected, an investment plan will be created for the purpose of evaluating present status to the likelihood of accomplishing ultimate goals, as well as to monitor client progress through time.

This work is intended to be a general guide to aid in the overall planning process, with a key element of an early alert if a plan is falling off target and at risk of missing a major goal. Not every plan will be the same for every client, as circumstances and goals are highly personal. Because a plan is based on client provided information, accurate and complete data is essential, as well as updates regarding material changes in life circumstances.

##### Asset Management

CIFG requires each client to place at least \$50,000 with the firm. This minimum may be waived at the discretion of CIFG.

We believe that successful investing comes from correctly assessing and acting on risk, not by attempting to predict the future course of the market. Incorrectly assessing risk potentially leads to a painful loss of money. In addition to traditional asset management, CIFG also designs, implements and monitors various model strategies. Many CIFG clients have assets managed using one or more of these proprietary models. The models are more fully discussed in Item 8.

We manage our portfolios by acting on the current market environment for risk, valuation, economic growth, investor sentiment, and relative strength. Our investment decisions are based on a monthly review of the portfolio unless global and/or portfolio specific events require a more frequent review. We tailor our investment advice to your needs based on a financial profile you complete at the onset of our relationship.

Asset management services are provided on a "discretionary" basis. When CIFG is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You will receive written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive statements at least quarterly from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and CIFG.

In certain limited circumstances, and in the discretion of the firm, a client may engage the firm to provide investment

management services on a non-discretionary basis. This means the firm monitors the accounts in the same way as for discretionary services. The difference is that changes to your account will not be made until we have confirmed with you (either verbally or in writing) that our proposed change is acceptable to you.

### Wrap Program

CIFG may include certain transactional costs in the client's management fee. This arrangement is referred to a "Wrap Program". For accounts in the Wrap Program, CIFG pays a fee to the account custodian based on the transactions executed through the Wrap Program, thus taking on many of the clients' transactions cost. Fees included in the wrap fee include transaction fees for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than the account custodian. Expenses for the management fees of third party managers are also not included in the Wrap Program, and to the extent utilized, you will be responsible for such fees. Because CIFG will be managing the assets of wrap fee program clients the same way as other non-wrap fee program clients, the use of external portfolio managers within the wrap program is expected to be limited. To the extent a third party manager is utilized, the fees payable to such managers will not be included in the wrap program. Therefore, there is no difference between how CIFG manages wrap free accounts and how CIFG manages other accounts.

Because of the nature of a wrap fee program, where wrap fees are not tied to an account's frequency of trading and apply to generally all assets in the account, the wrap fee program client may pay more or less than if the client had compensated CIFG outside of the wrap fee program. For example, if a client's account is rarely traded, the transaction fees the client would have paid would be minimal, thus limiting the benefits of "wrapping" management fees and transaction fees. Clients whose accounts will be rarely traded should carefully consider whether the Wrap Program is appropriate. Clients are not required to participate in the Wrap Program. CIFG receives a portion of the wrap fee for our services.

CIFG does not engage other portfolio managers to manage assets within the wrap fee program. To the extent a third party manager is utilized, the fees payable to such managers will not be included in the wrap program. CIFG is the sole portfolio manager in the wrap program, which means that CIFG receives a portion of the wrap fee for our services. Transaction fees are paid to various broker-dealers, mutual funds and ETFs. The remainder of the wrap fee is the management fee payable to CIFG. As discussed more fully in the wrap brochure, the transaction fees paid to the account custodian are based on a fixed rate that is based on the total amount of assets CIFG clients have in custody with the account custodian, where the rate drops as the amount of assets in custody increase. Accordingly, CIFG does not receive greater compensation for placing or not placing trades. However, CIFG does have an incentive to recommend the account custodian to clients in order to reduce the fixed fee for transactions. CIFG attempts to mitigate this conflict by requiring that the firm's employees acknowledge their fiduciary duty to place client interests ahead of their own, evaluating all aspects, including the wrap program asset-based transaction pricing when considering what broker-dealers to recommend.

CIFG will receive no additional compensation for offering the wrap fee program.

Please see the separate Wrap Fee Brochure for a more complete description of the Wrap Program.

### Pooled Investment Vehicle

CIFG acts as the investment manager for a pooled investment vehicle, Rocky Mountain Capital Fund, LP (Rocky Mountain). The investment program of Rocky Mountain involves the investment of assets, both directly and indirectly in

a select group of privately sourced debt instruments. Clients may be invited to invest in the private placement, but only if the respective investment is appropriate for the client. Capstone Investment Financial Group, LLC charges a management fee to the private placement (please see Item 5 for details). The assets in the pooled vehicle are managed in accordance with its offering documents. Clients invested in the pooled vehicle should consult that vehicle's offering documents.

#### Services offered to Unaffiliated Investment Advisors

In some cases we provide sub-advice to unaffiliated investment advisors to assist them with management of a portion of their assets. This advice may be similar or different than the advice we provide to clients.

In one instance, with Meld Financial, Inc., we provide investment subadvice and our primary owner, James Cornehlson, is also an owner of the firm. This is a conflict of interest.

#### Assets under Management

As of December 2019, CIFG has \$95,411,223 in discretionary assets under management and \$3,919,148 in non-discretionary assets under management.

### **Item 5: Fees and Compensation**

#### **A. Fees Charged**

##### Financial Planning

Financial planning fees can be either hourly or on a fixed fee basis. Our hourly charge is \$250 per hour. For new clients, fixed fee rates vary from \$300 to \$3,000 for an initial financial plan. For existing clients, the minimum fixed fee for ongoing financial planning services will be \$99 per month with a maximum of \$550 per month.

The fee ranges stated are meant to be a guideline only. Fees may be higher or lower than this range, based on the nature of the engagement. Fees are negotiable, and will depend on the anticipated complexity of your plan. Some clients may also engage the firm on a project basis to provide advice on isolated matters, such as an evaluation of a special purchase.

##### Asset Management, Including Pooled Investment Vehicles

All investment management clients will be required to execute an Investment Management Agreement that will describe the type of management services to be provided and the fees, among other items.

CIFG offers a number of different options to clients for charging fees. Clients may choose to pay fees based on the value of their assets under management, choose a fee based on the performance of their accounts, or a combination of the two.

Generally, fees vary from 0.00% to 2.00% per annum of the market value of a client's assets managed by CIFG. The fee range stated is a guide. Fees are negotiable, and may be higher or lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

For clients that are qualified, CIFG offers a 20% performance fees based on annual new capital appreciation in the Client's account. There are no retainers or flat fees associated with this fee option. The last fee option provided to clients who are qualified is a combination of the asset based fees and the performance based fee. The fee is typically 1.00% of assets managed and a 10% performance fee based on annual new capital appreciation. For either performance based fee option, capital appreciation in the Client's account is based upon a high watermark. Meaning that if your account goes from \$900,000 to \$1,000,000 in the first year, but is down to \$950,000 in the second, you do not pay a performance based fee until your account exceeds its highest year-end value. In the example given above, that is \$1,000,000. *Please see response to Item 6 for additional information.*

##### Cash Policy

Clients who wish to move their account to cash or cash equivalents must submit that request in writing. We will continue to bill the account for the remainder of the quarter, and will send you a notification letting you know that you have until the next quarter to reinvest. If after the end of the second quarter, you have not elected to reinvest, the account will be billed per your investment advisory agreement and then terminated.

#### B. Fee Payment

Clients may choose to pay upon receipt of an invoice from the firm by check or bank check, or their investment advisory fees will be debited directly from each client's account. The advisory fee is paid either annually or quarterly, in arrears, and the value used for the fee calculation is the daily average balance of the portfolio for the previous quarter of the year. In some cases, the fees are based on the balance of the account as of the end of the previous quarter or year. The annual payment of fees is only available for performance fee-based accounts. This means that if your annual fee is 1.00%, then each quarter we take the sum of each day's balance and then divide by the number of the days in the period to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to CFIG.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Clients may request a bill itemizing the fees to be debited, including the formula used to calculate the fee, the amount of assets upon which the fee is based, and the time period covered by the fee. The invoice will also state that the fee was not independently calculated by the custodian. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

#### C. Other Fees

There are a number of other fees that can be associated with holding and investing in securities. You will be responsible for fees including transaction fees for the purchase or sale of a mutual fund or Exchange Traded Fund, or commissions for the purchase or sale of a stock. To the extent you participate in Capstone Investment Financial Group, LLC's Wrap Program, you will not be responsible for these fees, as they will be paid by Capstone Investment Financial Group, LLC as part of your management fee. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager. For complete discussion of expenses related to each mutual fund, you should read a copy of the prospectus issued by that fund. CFIG can provide or direct you to a copy of the prospectus for any fund that we recommend to you.

For Qualified Retirement Plan accounts, Third Party Administrators may provide various administrative services. These are separate and distinct from our Advisory Fees and the Custodian's fees if applicable.

Fees charged to pooled investment vehicles are as described in the vehicle's respective private placement memorandum. The fund's general partner, in conjunction with Capstone Investment Financial Group, LLC, may modify or waive the fee arrangement for a given limited partner. Please see the fund's private placement memorandum for specific details.

Please make sure to read Item 12 of this informational brochure, where we discuss broker-dealer and custodial issues.

#### D. *Pro-rata* Fees

If you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be entitled to a refund of any paid, but unearned management fees for the remainder of the quarter. Once your notice of termination is received, we will refund the unearned fees to you in whatever way you direct (check, wire back to your account). However, given that Capstone Investment Financial Group, LLC charges fees in arrears, it is likely that the terminating client will owe the firm for the period of the quarter during which the client was a client. In that case, the amount due will be debited from the client's account or invoiced, depending on what method of fee payment has been the case with the client prior to termination.

#### E. Compensation for the Sale of Securities.

This item is not applicable.

#### F. Other Information about Fees and Services

Generally speaking, the amount of personalized service that you received will vary based upon how you choose to contract with our firm and which type of service you request, and the level of service you receive will most likely be commensurate with the amount of compensation you pay for those services. Please discuss your desired level of service with your portfolio manager to review the types of services appropriate for your needs and the fees that you will incur.

#### Item 6: Performance-Based Fees

We accept performance-based fees, and the same people who manage the performance-based fee accounts also offer services for a fixed or hourly fee, or an asset-based fee. Those associated people may have an incentive to favor accounts that receive a performance-based fee or to invest in more risky investments in an effort to increase remuneration. To mitigate that risk, we monitor the trading activity in performance-based accounts and strive to treat clients equitably. Clients selecting performance-based must be a qualified purchaser, which is defined as a client who has at least \$1,000,000 under management with Capstone Investment Financial Group, LLC immediately after entering into the contract, or the client must have a net worth of more than \$2,000,000.

#### Item 7: Types of Clients

We typically work with individuals, investment companies, pension and profit sharing plans, trusts, estates, charities, corporations, other business entities and other investment advisory firms.

The minimum account balance for one account is \$50,000. For an additional account, the two accounts need to add up to minimum of \$65,000. For three accounts, the balance must add up to a minimum of \$80,000. This means that each additional account adds \$15,000 to the total of assets required. These balances are for households, or 2 clients residing at the same address (i.e. husband and wife). For example the wife might have an account worth \$40,000 and the husband has an account worth \$25,000. This would meet the \$65,000 requirement for two accounts per household.

Below is a schedule of accounts and the minimum balances required:

Dollar Value	Number of Accounts in Household
\$50,000	1 Account
\$65,000	2 Accounts
\$80,000	3 Accounts
\$95,000	4 Accounts
\$110,000	5 Accounts

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

It is important for you to know and remember that all investments carry risks. **Investing in securities involves risk of loss that clients should be prepared to bear.**

We manage our portfolios by acting on the current market environment for risk, valuation, economic growth, investor sentiment and relative strength. The investment decision is based on a monthly review of the portfolio unless global and or portfolio specific events require more frequent review.

#### INVESTMENT STRATEGIES

In addition to traditional asset management, CIFG also designs, implements and monitors various model strategies. Many CIFG clients have assets managed using one or more of these strategies, some of which are exclusive to



Capstone Investment Financial Group, LLC and some of which are accessed through other parties. We believe that successful investing comes from correctly assessing and acting on risk, not by attempting to predict the future course of the market. Incorrectly assessing risk potentially leads to a painful loss of money. Following is a description of our strategies:

#### *Analyst Upgrades*

The Analyst Upgrades Folio was developed for investors seeking high capital appreciation potential with higher volatility and asset turnover. The Analyst Upgrades strategy is based on the Zacks.com research. Since higher returns come with higher risk, investors in this portfolio must be able to accept higher than average short-term price fluctuations in order to seek above average returns. Due to this possible short-term volatility, capital appreciation with a longer-term focus is the primary objective of this portfolio. The Analyst Upgrades Folio is comprised of stocks that have had the greatest improvement in analyst ratings over the past month, as reported by Zacks.com, an investment research company. If a company has multiple ratings improvements, it may signify potential opportunities for capital appreciation. Markets and economic conditions can change quickly and well liked companies can quickly go out of favor. Because of the nature of the strategy, stocks with improvements, as opposed to strictly a value interpretation, combined with the low number of holdings (approximately 30) this strategy may have significant turnover.

#### *Analyst Momentum*

The Analyst Anomaly Strategy was developed for investors seeking the potential for higher than market returns through the use of a concentrated portfolio of analyst recommended equities. The Analyst Momentum strategy is based on the Zacks Analyst Anomaly Folio available through Foliofn. Since higher returns come with higher risk, investors in this portfolio must be able to accept higher than average short-term price fluctuations in order to seek above average returns. Due to this possible short-term volatility, capital appreciation with a longer-term focus is the primary objective of this portfolio. The Zacks Analyst Anomaly Folio — created and maintained by Zacks Investment Research — focuses on the Analyst anomaly which indicates that despite being publicly available information, analyst recommendations and earnings forecasts can be used to predict future stock prices. Like the Analyst Upgrades strategy, this strategy is expected to have high turnover rates.

#### *Earnings Momentum Strategy*

The Earnings Momentum strategy is appropriate for those investors that have a long-term time horizon and are willing to accept a high degree of volatility. We strive to reach our goal by investing in those stocks that exhibit earnings growth above the industry average. The portfolio consists of up to 25 equities meet specific criteria which Capstone Investment Financial Group, LLC believes are indicators of future value. These include earnings growth, earnings estimate revisions, and other factors. We will “hedge” or reduce market exposure when the reward presented by the market is unfavorable based on the risk seen in the valuation and the economic growth in the economy. This does not mean the potential for loss is limited, merely that Capstone Investment Financial Group, LLC attempts to mitigate potential losses through risk management.

#### *Equity Income*

The goal of the Equity Income is for current income and total return, which means taxable income. The investments are in stocks that can increase or decrease with the overall stock market and therefore investors should have at least a three-to-five year investment horizon. The portfolio seeks to provide above-average income by investing in up to approximately 30 stocks that have dividend yields that have on average exceeded the stock market average. We will “hedge” or reduce market exposure when the reward presented by the market is unfavorable based on the risk seen in the valuation and the economic growth in the economy. This does not mean the potential for loss is limited, merely that Capstone Investment Financial Group, LLC attempts to mitigate potential losses through risk management.

#### *Exchange Traded Funds*

The goal of Exchange Traded Funds, formerly marketed as Strategic Asset Allocation, is to capture capital appreciation over a significant time horizon. We strive to reach our goal by investing in exchange traded funds (ETFs) that have the appropriate risk classification, risk/reward payoff and relative strength. We will “hedge” or reduce market exposure when the reward presented by the market is unfavorable based on the risk seen in the valuation and the economic growth in the economy. This does not mean the potential for loss is limited, merely that Capstone Investment Financial Group, LLC attempts to mitigate potential losses through risk management. This strategy is expected to have very significant turnover.

#### *Bond ETF*

The Bond ETF Folio was developed for investors seeking income and conservative long term capital preservation. It is not developed by or run by Capstone Investment Financial Group, LLC. It is a choice of strategy available to Capstone Investment Financial Group, LLC and its clients through Foliofn. The Bond ETF Folio consists of ETFs that invest in a range of fixed income securities. This Folio provides the opportunity to invest in a diversified pool of fixed income investments that are expected to be less volatile than an investment in a single bond category. Fixed income securities can provide a source of income and also serve as a hedge against market downturns.

*MaxBalanced<sup>SM</sup>* The MaxBalanced<sup>SM</sup> Strategy is designed to provide an approach similar to that of many university endowments, which strive to achieve returns but must also ensure risk is mitigated so the fundamental purposes of the endowment are not substantially at risk. For an individual investor, Capstone Investment Financial Group, LLC believes this approach can lead to attractive returns with less volatility than some of our other strategies. MaxBalanced<sup>SM</sup> was initiated by Capstone Investment Financial Group, Inc., which Capstone Investment Financial Group, LLC purchased in 2014, and we have continued operating the strategy as intended. The operating premise of this strategy involves both diversification and tactical allocation; thus the term “balanced”. The MaxBalanced<sup>SM</sup> strategy may invest in domestic stocks — small, medium, large; international stocks — developed or emerging; US bonds, including TIPS; non-US bonds; currencies; real estate; natural resources and commodities, as well as absolute return strategies. Besides stocks and bonds, we will invest in Exchange Traded Funds and Mutual Funds that meet these criteria. *Please see below for discussion of risks associated with continuing the strategy of a previous firm.*

#### *CIFG MaxBalanced Sustainable*

This strategy is designed to provide a socially responsible approach to investing, while including in its goals the potential for attractive returns. The portfolio is designed to invest in companies that are pursuing a sustainable social and environmental strategy. The CIFG MaxBalanced Sustainable was initiated by Capstone Investment Financial Group, Inc., which Capstone Investment Financial Group, LLC purchased in 2014, and we have continued operating the strategy as intended. This strategy, as the MaxBalanced strategy, combines both diversification and tactical allocation as its guiding principles, but adds the component of sustainable social and environmental goals. Accordingly, preference will be given to inclusion in the portfolio of investments that support good environmental impact, social impact, and good corporate government, all within the lens of good return on investment. It is our belief that companies who excel in this thinking will also excel long term as investments.

#### *Tagmata Value*

This strategy aims to purchase corporate equities at a discount to the intrinsic value of the company. This is a long term and patient approach to investing and the projected investment period when purchasing an individual equity is typically two to five years. The actual holding period may differ for a variety of reasons, including a change in the company's prospects or business environment, change of management, dramatic price changes in the stock price and other factors.

The approach to value investing is flexible. Rather than adhering to one school of value investing, methodologies utilized include sum of the parts, deep value, growth at a reasonable price, use of multiple valuation measures, relative value and other value investing methodologies. With twenty years in corporate mergers and acquisitions experience,

Matthew Gensler, the manager of this program, realizes that there are many paths to corporate valuations, and he has used this experience in his subsequent investment management career.

Risk management is an integral component of this portfolio. This can result in substantial allocations to fixed income and to a lesser extent, alternative investments. This portfolio is highly diversified across asset classes, geographies and market capitalizations. The objective is to provide growth and income while managing risk. Portfolios typically operate at significantly lower betas than the S&P 500.

#### *EqF*

EqF will use a socially responsible screening process based on LGBT friendliness (adherence to policies and procedures that provide same-sex partner benefits, community outreach, and anti-discrimination against the LGBT community with regard to hiring practices). Those companies will then be evaluated with a value investing philosophy seeking mid- to long-term capital appreciation. Specifically, EqF will seek out companies that have a low stock price compared to their top line revenue, have their earnings growth accelerating, and have a high return on invested capital.

*Please note: Not all of the above strategies may be available at all custodians whom Capstone Investment Financial Group, LLC recommends. Clients should be aware that the choice of a specific custodian may affect their access to certain strategies.*

#### **POOLED INVESTMENT VEHICLE**

Each pooled investment vehicle will be managed according to the stated investment program in the fund's private placement memorandum. Individual partners in a fund will not receive individual asset management within the fund. For details regarding the investment program, clients should refer to their fund's private placement memorandum.

#### *Other Important Information about our Strategies and their Risks*

In some strategies, we have established a policy to allocate at least 15%, 30%, 45%, and 70% respectively, to fixed income investments. This is intended to offer the potential for current income to investors. If interest rates were to rise, this allocation should, over time, lead to larger income distributions but could also lead to a loss of investment capital. This loss results from the unalterable inverse relationship that exists between the price of fixed income investments and current interest rates. Seeking to reduce the risk of loss while increasing possible income, we will consider investments for these fixed income allocations based solely upon certain quantifiable characteristics rather than requiring they be solely bonds. Specifically, we will consider any exchange traded fund with a risk score (using our risk score) no more than 1.5 times the risk score of the ETF we use as the bond benchmark. We believe that this will allow investments in preferred stocks, utilities, some health care sectors, and other investment options to be included in the income portion of the ETF portfolios.

The Advisor retains full discretion to add, subtract, or revise the factors utilized, the weightings and the processes applied to construct the portfolio, as well as discretion to determine the market capitalization of securities for purchase by the strategy.

Some strategies will invest in leveraged investments. The more a fund invests in leveraged investments, the more the leverage will magnify any gains or losses on those investments.

Some Programs may also invest in "short" or "inverse" investments which are designed to profit from declining securities prices, which involve certain risks that may include increased volatility due to the funds possible use of short sales of securities and derivatives such as options and futures.

#### **IMPORTANT RISKS**

There are always risks to investing. **Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear.** It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that CIFG may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. CIFG endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Margin Risk.** "Margin" is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin therefore carries a higher degree of risk than investing without margin. Any client account that will use margin will do so in accordance with Regulation T. CIFG may utilize margin on a limited basis for clients with higher risk tolerances.
- **Short Sales.** "Short sales" are a way to implement a trade in a security CIFG feels is overvalued. In a "long" trade, the investor is hoping the security increases in price. Thus in a long trade, the amount of the investor's loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. CIFG utilizes short sales only when the client's risk tolerances permit.
- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or

research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions. This risk is especially important for CFIG, due to our reliance on Zacks for information.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.

- **Concentration Risk.** While CFIG selects individual securities, including mutual funds, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.

- **Transition risk.** As assets are transitioned from a client's prior advisers to CFIG there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by CFIG. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of CFIG may adversely affect the client's account values, as CFIG's recommendations may not be able to be fully implemented.

- **Strategy Risk.** When investments are made through a strategy, rather than individualized investment considerations, there is always the possibility that individualized investment choices would have produced a more positive result for a client than an approach where investments are made for a group of individuals with common characteristics.

- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.

- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

- **REITs:** Capstone Investment Financial Group, LLC may recommend that significant portions of client portfolios be allocated to real estate investment trusts, otherwise known as "REITs". A REIT is an entity, typically a trust or corporation, that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon

the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **MLPs:** Capstone Investment Financial Group, LLC may recommend that significant portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs”. An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds and mutual funds. One such risk is management risk, the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask Capstone Investment Financial Group, LLC any questions regarding the role of MLPs in their portfolio.

## **TRADE REQUEST POLICY**

We have a 10 a.m. MST (12 p.m. EST) cut-off for instructions received from clients. This is specifically for instructions requiring liquidations, withdrawals, and account closures. If we have the paperwork before 10 a.m., we will trade and process the instructions that day. For paperwork to be processed, it must be complete. We require signed instructions from you to instruct us to sell out of the market. For any liquidation and withdrawal instructions received after 10 a.m., we have until the next business day to process the request.

## **Item 9: Disciplinary Information**

There are no disciplinary items to report.

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

A. Broker-dealer

This item is not applicable.

B. Futures Commission Merchant/Commodity Trading Advisor

Neither the principals of CIFG, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Relationship with Related Persons

Mr. Cornehlson also owns and operates a company called AUM in a Box. AUM in a Box is designed to provide services to financial advisors to help grow their business. Those services include back office solutions to Financial Advisors.

Mr. Cornehlson is also the owner of Fitter Financials, a company that provides bookkeeping services and implementation of the Entrepreneurs Operating System to enable business owners to make the best decisions to grow their business. Receipt of fees through his ownership of Fitter Financials gives rise to a conflict of interest for Mr. Cornehlson, in that in the event he recommends that a client who owns a small business (or a client that is a small business) utilize the services of Fitter Financials, Mr. Cornehlson would be both the recommending party as well as the recipient of that recommendation. Mr. Cornehlson therefore has a financial incentive to recommend that clients utilize the services of Fitter Financials. This conflict is disclosed to clients verbally and in this brochure. Capstone Investment Financial Group,

LLC attempts to mitigate this conflict by requiring employees to acknowledge their fiduciary responsibility toward each client.

Mr. Gensler is an Owner of Coastal Equities, Inc., a registered broker/dealer and its sister company, Coastal Investment Advisors, Inc. Mr. Gensler is not associated with these firms in any other manner though he was previously licensed/registered with both. Mr. Gensler's activities with these groups do not overlap with his activities as an investment advisory representative and do not present a conflict of interest to his clients.

**D. Recommendations of other Advisers**

This item is not applicable, as Capstone Investment Financial Group, LLC does not recommend other advisors in exchange for a fee of any kind.

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

A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.

B. Not applicable. CIFG does not recommend to clients that they invest in any security in which CIFG or any principal thereof has any financial interest.

C. On occasion, an employee of CIFG may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

D. On occasion, an employee of CIFG may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

**Item 12: Brokerage Practices**

**A. Recommendation of Broker-Dealer**

CIFG recommends that investment accounts be held in custody by *FolioFN* or TD Ameritrade. Our solicitors may have affiliations with broker/dealers, who in turn may require solicitors to direct accounts to a particular custodian. We do not have an incentive to select or recommend these other custodians in that these custodians are typically more difficult for us to work with. TD Ameritrade, Inc. and FolioFN are wholly independent from CIFG. It is expected that

most, if not all, transactions in a given client account will be cleared through the custodian of that account in its capacity as a broker-dealer.

CIFG recommends broker-dealers to its clients based on a variety of factors. These include, but are not limited to, commission costs. However, in choosing a broker-dealer or custodian to recommend, we are most concerned with the value the client receives for the cost paid, not just the cost. Each of our recommended custodians adds value beyond commission cost. Other factors that may be considered in determining overall value include speed and accuracy of execution, financial strength, knowledge and experience of staff, research and service.

CIFG places trades for its client accounts subject to its duty to seek best execution and its other fiduciary duties. CIFG may use broker-dealers other than those recommended to execute trades for client accounts maintained at recommended broker-dealers, but this practice may result in additional costs to clients so that CIFG is more likely to place trades through recommended broker-dealers rather than other broker-dealers. CIFG re-evaluates the use of its recommended broker-dealers at least annually to determine if they are still the best value for our clients.

Recommended broker-dealers may provide us with some non-cash benefits (not available to retail customers) in return for placing client assets with them or executing trades through them. Such non-cash benefits are referred to as “soft dollars”. Currently, these benefits come in the form of investment research and sponsored attendance at various investment seminars. We may also receive such items as investment software, books and research reports. These products, services, or educational seminars are items that will play a role in determining how to invest client accounts. If there is any item that has a multi-use aspect, mixed between investment and non-investment purposes, CIFG will determine a reasonable allocation of investment to non-investment use and soft dollars will be allocated only to the investment portion of the product (and we will pay the remaining cost). CIFG receives a benefit from these services, as otherwise we would be compiling the same research ourselves. This may cause us, or another adviser, to want to place more client accounts with a broker-dealer/custodian solely because of these added benefits. However, the value to all of our clients of these benefits is included in our evaluation of custodians. Products and services received via soft dollars will generally be used for the benefit of all clients. However, it is possible that a given client’s trades will generate soft dollars that acquire products and/or services that are not ultimately utilized for that same client’s account. Soft dollars provide additional value, and are accordingly considered in determining which broker-dealer or custodian to utilize as part of our best execution analysis.

We do not consider whether any broker-dealer/custodian, refers clients to CIFG as part of our evaluation of these broker-dealers.

#### Pooled Investment Vehicle

Rocky Mountain Capital Fund has contracted with Mortgage Buyer, Inc. to provide research on the privately sourced debt instruments. Mortgage Buyers, Inc. was chosen based on a variety of factors, including but not limited to, commission costs. Other factors that may be considered in determining overall value include speed and accuracy of execution, knowledge and experience of staff, research and service. We periodically review the performance and cost of all of our broker-dealers to ensure that clients are receiving best execution.

#### B. Aggregating Trades

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. For clients not working with CIFG through the wrap program, CIFG may place trades for the same security needed in multiple accounts by executing one trade, and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example, if a *pro rata* division would result in a client receiving a fraction of a share, or a position in the account of less than 1%.)



**Item 13: Review of Accounts**

All accounts will be reviewed by a senior professional on at least a quarterly basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

If provided, the quarterly report CIFG provides is intended to review asset allocation. All clients will receive statements and confirmations of trades directly from their custodian. Please refer to Item 15 regarding Custody.

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

A. Economic Benefit Provided by Third Parties for Advice Rendered to Client.

*Please refer to Item 12, where we discuss recommendation of Broker-Dealers.*

B. Compensation to Non-Advisory Personnel for Client Referrals.

CIFG may compensate firms or people who refer us clients. Through these arrangements, we pay a cash referral fee to the Solicitor based on a percentage of our advisory fee. This fee is paid based on a written agreement. The specific information about the referral is disclosed prior to or at the time you enter into an investment advisory agreement.

Solicitors may be acting in the capacity as wholesalers of our investment advisory services to other potential Solicitors.

In certain instances, we may compensate a Solicitor for other products and/or services that the Solicitor has provided to us. These products and services may include but are not limited to assistance with marketing, coaching programs, facilities usage, administrative and day-to-day expenses, personnel, and equipment. In cases such as this, the Solicitor may have a conflict of interest when referring clients to us in that he may receive additional compensation that may influence his decision to recommend us. Clients who are referred to us by Solicitors with such arrangements do not pay higher fees than those who are referred to us by other Solicitors or those who contract with us directly.

**Item 15: Custody**

CIFG deducts fees from client accounts, but would not have custody of client funds otherwise. Clients will receive statements directly from their Custodian, and copies of all trade confirmations directly from the Custodian.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Clients may elect to receive a bill itemizing the fees to be debited, including the formula used to calculate the fee, the amount of assets the fee is based, and the time period covered by the fee. The invoice will also state that the fee was not independently calculated by the custodian. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

We encourage clients to carefully review the statements and confirmations sent to them by their custodian, and to compare the information on any report prepared by CIFG against the information in the statements provided directly from your Custodian. Please alert us of any discrepancies.

**Item 16: Investment Discretion**

When CIFG is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You may receive at your request written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive monthly statements from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and CIFG.

**Item 17:        Voting Client Securities**

Copies of our Proxy Voting Policies are available upon request.

From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers, tender offers, or board elections. Clients are required to vote proxies related to their investments, or to choose not to vote their proxies. CIFG will not accept authority to vote client securities. Clients will receive their proxies directly from the custodian for the client account. CIFG will not give clients advice on how to vote proxies.

**Item 18:        Financial Information**

CIFG does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.

**INFORMATIONAL BROCHURE**

**WRAP FEE PROGRAM**

CAPSTONE INVESTMENT FINANCIAL GROUP, LLC

115 West Salori Court  
Webster, NY 14580

James Cornehlisen

(877) 491-7514

**March 11, 2020**

This wrap fee program brochure provides information about the qualifications and business practices of Capstone Investment Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (877) 491-7514. 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 Investment Financial Group, LLC is a registered investment adviser. Registration does not imply any certain level of skill or training.

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

**Item 2: Statement of Material Changes**

We have made no material changes since our last annual amendment dated March 2019.

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## Item 4: Services, Fees, and Compensation

The Capstone Investment Financial Group, LLC Wrap Program (the “Program”) is a wrap fee program sponsored by Capstone Investment Financial Group, LLC (“CIFG” or “Capstone”) which has been in business since 2005. Capstone Investment Financial Group, LLC previously operated under the name Dunn Warren Investment Advisors, LLC. James Cornehlisen and Elizabeth Cornehlisen are the firm’s only principal owners.

CIFG provides personalized investment management services. We typically work with individuals, investment companies, pension and profit sharing plans, trusts, estates, charities, corporations, other business entities and other investment advisory firms.

### A. Description of the Program

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#### Asset Management

CIFG requires each client to place at least \$50,000 with the firm. This minimum may be waived at the discretion of CIFG. All clients participating in the Wrap Program must have the assets managed through the Wrap Program held in custody with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC or with FolioFN.

We believe that successful investing comes from correctly assessing and acting on risk, not by attempting to predict the future course of the market. Incorrectly assessing risk potentially leads to a painful loss of money. In addition to traditional asset management, CIFG also designs, implements and monitors various model strategies. Many CIFG clients have assets managed using one or more of these proprietary models. The models are more fully discussed in Item 8 of the Informational Brochure.

We manage our portfolios by acting on the current market environment for risk, valuation, economic growth, investor sentiment, and relative strength. Our investment decisions are based on a monthly review of the portfolio unless global and/or portfolio specific events require a more frequent review. We tailor our investment advice to your needs based on a financial profile you complete at the onset of our relationship.

In certain limited circumstances, and in the discretion of the firm, a client may engage the firm to provide investment management services on a non-discretionary basis. This means the firm monitors the accounts in the same way as for discretionary services. The difference is that changes to your account will not be made until we have confirmed with you (either verbally or in writing) that our proposed change is acceptable to you.

As of December 2018, CIFG has \$95,411,223 in discretionary assets under management and \$3,919,147 in non-discretionary assets under management.

### Fees and Compensation

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#### Fees Charged

All clients will be required to execute a written agreement that will describe the type of services to be provided and the fees, among other items.

#### Our Wrap Fees

CIFG offers a number of different options to clients for charging fees. Clients may choose to pay fees based on the value of their assets under management, choose a fee based on the performance of their accounts, or a combination of the two. Clients selecting performance-based must be a qualified purchaser, which is defined as a client who has at least \$1,000,000 under management with Capstone Investment Financial Group, LLC immediately after entering into the contract, or the client must have a net worth of more than \$2,000,000.

Generally, fees vary from 0.00% to 2.00% per annum of the market value of a client's assets managed by CFIG. The fee range stated is a guide. Fees are negotiable, and may be higher or lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

For clients that are qualified, CFIG offers a 20% performance fees based on annual new capital appreciation in the Client's account. There are no retainers of flat fees associated with this fee option. The last fee option provided to clients who are qualified is a combination of the asset based fees and the performance based fee. The fee is typically 1.10% of assets managed and a 10% performance fee based on annual new capital appreciation. For either performance based fee option, capital appreciation in the Client's account is based upon a high watermark. Meaning that if your account goes from \$900,000 to \$1,000,000 in the first year, but is down to \$950,000 in the second, you do not pay a performance based fee until your account exceeds its highest year-end value. In the example given above, that is \$1,000,000.

The fee range stated is a guide. Fees are negotiable, and may be higher or lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

Because our wrap fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a wrap fee arrangement would not be appropriate for an account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time.

Investment advisory fees will be debited directly from each client's account. The advisory fee is paid either annually or quarterly, in arrears, and the value used for the fee calculation is the daily average balance of the portfolio for the previous quarter of year. In some cases, the fees are based on the balance of the account as of the end of the previous quarter or year. The annual payment of fees is only available for performance fee based accounts. This means that if your annual fee is 1.00%, then each quarter we take the sum of each day's balance and then divide by the number of the days in the period to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to CFIG.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Clients may request a bill itemizing the fees to be debited, including the formula used to calculate the fee, the amount of assets upon which the fee is based, and the time period covered by the fee. The invoice will also state that the fee was not independently calculated by the custodian. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

#### *Other Information about Advisory Fees*

Clients may pay margin fees, IRA fees, or other fees not considered trading or custodial fees.

Associated persons may buy or sell for their own accounts the same securities recommended to you. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to you and we monitor their personal trading.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Advisor does not deem appropriate to buy or sell for clients.

We have adopted a Code of Ethics to instruct its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Firm and our personnel owe a duty of loyalty, fairness and good faith to our clients, and the obligation to adhere not only to the specific provisions of the code but also to the general principles that guide the Code. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and

supervisory procedures. We will provide a copy of the Code to any client or prospective Client upon request.

#### Other Information about Fees and Services

Generally speaking, the amount of personalized service that you received will vary based upon how you choose to contract with our firm and which type of service you request, and the level of service you receive will most likely be commensurate with the amount of compensation you pay for those services. Please discuss your desired level of service with your portfolio manager to review the types of services appropriate for your needs and the fees that you will incur.

#### Item 5: Account Requirement and Type of Clients

We typically work with individuals, investment companies, pension and profit sharing plans, trusts, estates, charities, corporations, other business entities and other investment advisory firms.

The minimum account balance for one account is \$50,000. For an additional account, the two accounts need to add up to a minimum of \$65,000. For three accounts, the balance must add up to a minimum of \$80,000. This means that each additional account adds \$15,000 to the total of assets required. These balances are for households, or 2 clients residing at the same address (i.e. husband and wife). For example the wife might have an account worth \$40,000 and the husband has an account worth \$25,000. This would meet the \$65,000 requirement for two accounts per household.

Below is a schedule of accounts and the balances required:

Dollar Value	Number of Accounts in Household
\$50,000	1 Account
\$65,000	2 Accounts
\$80,000	3 Accounts
\$95,000	4 Accounts
\$110,000	5 Accounts

#### Item 6: Portfolio Manager Selection and Evaluation

The wrap fee program offered by CIFG is sponsored by the firm, and CIFG is the only portfolio manager. The only fees covered under the wrap fee program are transaction fees associated with the purchase and sale of securities in an account managed by CIFG. All client accounts managed by CIFG, including wrap fee program clients, are managed with similar processes, although account recommendations may differ.

#### Item 7: Client Information provided to Portfolio Managers

Please see response to Item 6, above.

#### Item 8: Client Contact with Portfolio Managers

Clients may contact CIFG, the only portfolio manager, at any time.

#### Item 9: Additional Information

#### Disciplinary Information

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Neither the firm nor any of its employees or principals has any disciplinary information to report



## **Other Financial Industry Activities and Affiliations**

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### **Broker-dealer**

This item is not applicable.

### **Futures Commission Merchant/Commodity Trading Advisor**

Neither members of management, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **Relationship with Related Persons**

Mr. Cornehlson also owns and operates a company called AUM in a Box. AUM in a Box is designed to provide services to financial advisors to help grow their business. Those services include back office solutions to Financial Advisors.

Mr. Cornehlson is also the owner of Fitter Financials, a company that provides bookkeeping services and implementation of the Entrepreneurs Operating System to enable business owners to make the best decisions to grow their business. Receipt of fees through his ownership of Fitter Financials gives rise to a conflict of interest for Mr. Cornehlson, in that in the event he recommends that a client who owns a small business (or a client that is a small business) utilize the services of Fitter Financials, Mr. Cornehlson would be both the recommending party as well as the recipient of that recommendation. Mr. Cornehlson therefore has a financial incentive to recommend that clients utilize the services of Fitter Financials. This conflict is disclosed to clients verbally and in this brochure. Capstone Investment Financial Group, LLC attempts to mitigate this conflict by requiring employees to acknowledge their fiduciary responsibility toward each client.

Mr. Gensler is an Owner of Coastal Equities, Inc., a registered broker/dealer and its sister company, Coastal Investment Advisors, Inc. Mr. Gensler is not associated with these firms in any other manner though he was previously licensed/registered with both. Mr. Gensler's activities with these groups do not overlap with his activities as an investment advisory representative and do not present a conflict of interest to his clients.

### **Recommendations of other Advisers**

See response to Item 8 of the Informational Brochure regarding third-party managers.

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

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- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable. CIFG does not recommend to clients that they invest in any security in which CIFG or any principal thereof has any financial interest.

- C. On occasion, an employee of CIFG may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of CIFG may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades are reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

### **Review of Accounts**

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All accounts will be reviewed by a senior professional on at least a quarterly basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

If provided, the quarterly report provided by CIFG is intended to review asset allocation. All clients will receive statements and confirmations of trades directly from the client's custodian. Additionally, all clients may request quarterly itemized bills from CIFG. Please refer to Item 15 of the Informational Brochure regarding Custody.

### **Client Referrals and Other Compensation**

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#### **A. Compensation to Non-Advisory Personnel for Client Referrals.**

CIFG may compensate firms or people who refer us clients. Through these arrangements, we pay a cash referral fee to the Solicitor based on a percentage of our advisory fee. This fee is paid based on a written agreement. The specific information about the referral is disclosed prior to or at the time you enter into an investment advisory agreement.

Solicitors may be acting in the capacity as wholesalers of our investment advisory services to other potential Solicitors.

In certain instances, we may compensate a Solicitor for other products and/or services that the Solicitor has provided to us. These products and services may include but are not limited to assistance with marketing, coaching programs, facilities usage, administrative and day-to-day expenses, personnel, and equipment. In cases such as this, the Solicitor may have a conflict of interest when referring clients to us in that he may receive additional compensation that may influence his decision to recommend us. Clients who are referred to us by Solicitors with such arrangements do not pay higher fees than those who are referred to us by other Solicitors or those who contract with us directly.

### **Financial Information**

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CIFG does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.

## Brochure Supplement

ADV Part 2B

James Cornehlson

CAPSTONE INVESTMENT FINANCIAL GROUP, LLC

115 W. Salore Ct.

Webster, NY 14580

Phone: (877) 491-7514

Website: [www.capstoneinvest.com](http://www.capstoneinvest.com)

Date: March 16, 2020

This brochure supplement provides you with additional information about James Cornehlson that supplements the Capstone Investment Financial Group, LLC Firm brochure. You should have received a copy of that brochure. Please contact Client Services at (877) 491-7514 if you did not receive Capstone Investment Financial Group, LLC's Firm brochure or if you have any questions about the contents of this supplement.

Additional information about James Cornehlson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2 Educational Background and Business Experience**

James (Jamie) B. Cornehlson is the portfolio manager at Capstone Investment Financial Group, LLC. His investment industry experience is vast. From 1994 to 1996, Jamie served as an analyst with the Gartner Group working with the pension plan and 401k program. This is where he initially developed the Risk/Reward matrix. From 1996 to May 1998, Jamie worked as a financial analyst covering the software industry for Schwab SoundView Capital Markets in Greenwich, Connecticut. He then moved to Bear Sterns in New York for a year before moving to Colorado in 2000 where he joined Corboy and Jerde, an investment bank specializing in public and private equity investments.

Jamie founded Capstone Investment Financial Group, LLC (Previously named Dunn Warren Investment Advisors, LLC) in September 2001, providing consulting to hedge funds, mutual funds and Registered Investment Advisors. In 2005, Mr. Cornehlson made the decision to expand Capstone Investment Financial Group, LLC to serve individuals and other financial professionals as an Investment Adviser.

Jamie received his MBA from the William E. Simon Graduate School of Business at the University of Rochester, and his Bachelor of Arts in Economics from the University of Colorado. He studied econometrics at the University of York in England. Jamie is a CFA Charterholder and past president of the CFA Society of Colorado. The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charterholder candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

Jamie was born on June 20, 1971.

**Item 3                    Disciplinary Information**

Jamie has no disciplinary history.

**Item 4                    Other Business Activities**

Mr. Cornehlson also owns and operates a company called AUM in a Box. AUM in a Box is designed to provide services to financial advisors to help grow their business. Those services include back office solutions to Financial Advisors.

Mr. Cornehlson is a Certified EOS Implementer™ . In this role, he helps entrepreneurs/business owners get more what you want from their business. This is achieved by implementing the EOS model, a complete and proven system with a set of simple, practical tools to help them increase and align with three things called: Vision, Traction, Healthy.

As a Certified EOS Implementer Jamie will serve in many roles: Teacher, Facilitator and Coach.

Mr. Cornehlson is also the owner of Fitter Financials, a company that provides bookkeeping services and implementation of the Entrepreneurs Operating System to enable business owners to make the best decisions to grow their business. Receipt of fees through his ownership of Fitter Financials gives rise to a conflict of interest for Mr. Cornehlson, in that in the event he recommends that a client who owns a small business (or a client that is a small business) utilize the services of Fitter Financials, Mr. Cornehlson would be both the recommending party as well as the recipient of that recommendation. Mr. Cornehlson therefore has a financial incentive to recommend that clients utilize the services of Fitter Financials. This conflict is disclosed to clients verbally and in this brochure. Capstone Investment Financial Group, LLC attempts to mitigate this conflict by requiring employees to acknowledge their fiduciary responsibility toward each client.

**Item 5                    Additional Compensation**

Jamie will not receive any additional compensation.

**Item 6                    Supervision**

The person responsible for Supervising James Cornehlson is Ann Zemmann. She supervises Mr. Cornehlson by meeting with him regularly, and enforcing the Firm's Written Supervisory Procedures and Code of Ethics. You may contact her at (402) 502-2881 with any questions or concerns.

## Brochure Supplement

ADV Part 2B

Matthew Gensler

CAPSTONE INVESTMENT FINANCIAL GROUP, LLC

368 New Hempstead Rd., #321

New City, NY 10956

Phone: (877) 491-7514

Website: [www.capstoneinvest.com](http://www.capstoneinvest.com)

Date: March 16, 202

### Item 1 Cover Page

This brochure supplement provides information about Matthew Gensler that supplements the Capstone Investment Financial Group, LLC Firm Brochure. You should have received a copy of that brochure. Please contact Client Services at (877) 491-7514 if you did not receive Capstone Investment Financial Group, LLC's Firm brochure or if you have any questions about the contents of this supplement.

### Item 2 Educational Background and Business Experience

**Name: Matthew Gensler**

**Born: 1954**

Matthew Gensler is a Chief Investment Strategist of Capstone Investment Financial Group. In addition to his responsibilities as Chief Investment Strategist, Mr. Gensler manages diversified investment portfolios on behalf of his clients. He also manages two programs, Capstone's Equity Income Program and the Tagmata Value Program. Typical investments include U.S. and international equity investments, as well as a variety of fixed income securities and ETF and mutual fund vehicles. Asset allocation and risk management are major elements in managing client portfolios.

Matthew utilizes a conservative, value oriented approach in the management of client assets. Early in his professional training, while at Columbia University's Business School, Matthew was heavily influenced by the value investing and "margin of safety" philosophy developed at the school by Benjamin Graham. Graham is best known as Warren Buffet's teacher and mentor, and he has provided the intellectual framework for many successful value investors. Matthew has utilized the value investing philosophy throughout his thirty year career in investment management and mergers & acquisitions.

Prior to joining Capstone, Matthew was the Senior Managing Director and Chief Investment Strategist of Coastal Investment Advisors. Prior to Coastal, he was a senior executive of asset manager Ravenswood Capital Group. Earlier he was a Managing Director and Portfolio Manager at New York based investment manager, A.R. Schmeidler & Co. He was also a member of the firm's Investment Committee.

Matthew has held senior level positions at HSBC, Deloitte & Touché and Hill Thompson Capital Markets. While heading the Mergers & Acquisitions Department at HSBC, one of the largest banks in the world, Matthew gained significant international experience.

Matthew received his MBA from Columbia University's Business School, graduating with Beta Gamma Sigma honors. He is a Magna Cum Laude graduate of Brown University.

In 2018, Mr. Gensler was elected to the Board of Advisors for the Institute of World Politics.

### **Item 3 Disciplinary Information**

None of our supervised persons is subject to any material legal or disciplinary event.

### **Item 4 Other Business Activities**

Mr. Gensler is a part-time consultant at Gerson Lehman Group, an expert network that operates a membership-based platform that provides independent ad-hoc consulting services to business professionals around the world. Mr. Gensler's activities with this group do not overlap with his activities as an investment advisory representative and do not present a conflict of interest to his clients.

Mr. Gensler is an Owner of Coastal Equities, Inc., a registered broker/dealer and its sister company, Coastal Investment Advisors, Inc. Mr. Gensler is not associated with these firms in any other manner though he was previously licensed/registered with both. Mr. Gensler's activities with these groups do not overlap with his activities as an investment advisory representative and do not present a conflict of interest to his clients.

### **Item 5 Additional Compensation**

There are no such issues to be disclosed.

### **Item 6 Supervision**

The person responsible for supervision is James Cornehlson. He supervises the associates by monitoring their emails, reviewing paperwork they complete, meeting with them regularly, and enforcing the Firm's Written Supervisory Procedures and Code of Ethics. Mr. Cornehlson may be reached at (877) 491-7514.

## Brochure Supplement

ADV Part 2B

Ryan Turbyfill

CAPSTONE INVESTMENT FINANCIAL GROUP, LLC

13770 E. Rice Plaza

Aurora, CO 80015

Phone: (877) 491-7514

Website: [www.capstoneinvest.com](http://www.capstoneinvest.com)

Date: March 16, 2020

### Item 1 Cover Page

This brochure supplement provides information about Ryan Turbyfill that supplements the Capstone Investment Financial Group, LLC Firm Brochure. You should have received a copy of that brochure. Please contact Client Services at (877) 491-7514 if you did not receive Capstone Investment Financial Group, LLC's Firm brochure or if you have any questions about the contents of this supplement.

### Item 2 Educational Background and Business Experience

**Name:** Ryan Turbyfill      **Born:** 1978

Ryan Turbyfill is an investment adviser representative of Capstone Investment Financial Group, LLC. He also serves as as Owner/President of Turbyfill Investments, a real estate company, and has his Real Estate License held with RE/MAX Alliance.

Mr. Turbyfill graduated from Western Governors University, with a Bachelors of Science in March 2016 and an MBA in December 2016. He previously attended ABR Real Estate School in Greenwood Village, CO and Colorado University of Denver, in Denver, CO.

### Item 3 Disciplinary Information

None of our supervised persons is subject to any material legal or disciplinary event.

### Item 4 Other Business Activities

Mr. Turbyfill has a number of affiliations with real estate firms through which he assists people and companies in buying and selling real estate, owns residential properties and rents them out. These activities consume approximately 16 hours of his time each month. This creates a conflict of interest if clients elect to use his services as a realtor or rent a home that he manages. Clients are under no obligation to use these services.

Mr. Turbyfill also coaches endurance athletes, through Elevation Multisport, LLC. This activity takes approximately 1-3 hours of his time each month. If a client uses his services through Elevation Multisport, LLC, they will compensate Mr. Turbyfill and this creates a conflict of interest. Clients are under no obligation to use these services.



Mr. Turbyfill serves on the Arapahoe County Board of Adjustments. This does not appear to be a conflict of interest but clients should be aware that this activity involves approximately four meetings per year.

**Item 5 Additional Compensation**

There are no such issues to be disclosed.

**Item 6 Supervision**

The person responsible for supervision is James Cornehlson. He supervises the associates by monitoring their emails, reviewing paperwork they complete, meeting with them regularly, and enforcing the Firm's Written Supervisory Procedures and Code of Ethics. Mr. Cornehlson may be reached at (877) 491-7514.

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