

# **Capital Financial Group, Inc.**

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**July 19, 2021**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Capital Financial Group, Inc.. If you have any questions about the contents of this brochure, contact us at 303-629-7500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Capital Financial Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Capital Financial Group, Inc. is 111709.

Capital Financial Group, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our annual updating amendment dated March 26, 2020, we have made the following material changes to our Form ADV:

- As of March 2021, we now recommend a number of RJA's managed programs, including Freedom and the American Funds Model Portfolios under a subadvisory agreement with RJA.
- Persons associated with our firm may serve as trustees to certain accounts for which we also provide investment advisory services. In all cases, the persons associated with our firm have been appointed trustee as a result of a family or personal relationship with the trust grantor and/or beneficiary and not as a result of employment with our firm.
- As of October 2020, we now recommend the Ambassador Program in place of the IMPAC Program.
- As a fiduciary, our firm is committed to making full and fair disclosure of all material facts relating to the advisory relationship. Therefore, on April 17, 2020, the firm received a Paycheck Protection Program ("PPP") loan in the amount of \$96,349 through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The firm used the PPP funds to continue payroll for the firm's employees, including employees primarily responsible for performing advisory functions, and make other permissible payments. The loan provided economic support to the firm during uncertain times. As of March 30, 2021, the PPP loan in the amount of \$96,349 has been forgiven; therefore it has been removed from our corporate balance sheet.

The Form ADV Part 2A has been updated accordingly to capture the above material changes.

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## Item 4 Advisory Business

### Description of Services and Fees

Capital Financial Group, Inc. is a registered investment adviser based in Greenwood Village, Colorado. We are organized as a corporation under the laws of the State of Colorado. We have been providing investment advisory services since 2001. Dennis Leonida is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Financial Planning and Consulting Services**
- **Ambassador Program**
- **Freedom Program**
- **American Funds Model Portfolios Program**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we", "our" and "us" refer to Capital Financial Group, Inc. And the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Financial Planning Services

We offer broad-based, modular, and consultative financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Following the initial introductory meeting, a fact-finding appointment is scheduled. This appointment typically lasts 1.5 to 3 hours and is intended to uncover your objectives and desires. Following the fact-finding meeting, a fee is determined and a notification is mailed to you with an advisory agreement for the stated fees. The fee includes the initial financial plan and on-going planning and consulting for a one-year period. We will generally establish a regular planning cycle to work with you in managing specific aspects of the overall financial plan.

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

While the firm endeavors at all times to offer clients its specialized services at reasonable costs, the fees charged by other advisers for comparable services may be lower than the fees charged by Capital Financial Group, Inc.

As registered representatives of RJFS, we cannot make recommendations that would result in trading away from RJFS. However, you are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

We charge a fixed fee for financial planning services, which generally ranges between \$2,000 and \$10,000. The fee is determined by the complexity and scope of the plan, your financial situation, and your objectives. The fee is due within 10 days of the invoice. We will not require prepayment of a fee more than six months in advance and in excess of \$1200.

Concluding the initial 12-month period you may retain us on an annual retainer basis, which may include a re-evaluation of your financial plan and on-going planning and consulting. The initial financial planning fee will be fixed for a 12-month period; thereafter, through our annual retainer service, you may select an annual or semi-annual review. The annual review is a minimum of \$600 and the semi-annual review is a minimum of \$1,000. Our initial financial planning service is satisfaction guaranteed. If you are not satisfied with the recommendations and/or the financial planning/consulting services you received within the initial 12-month period, you may terminate the arrangement and request a refund within the initial 12-month period. Please be advised, that the satisfaction guarantee applies only to the initial financial planning service, not the annual retainer. The annual retainer fee is payable in arrears.

If you only require advice on a single aspect of your finances, we offer modular financial planning/general consulting services on an hourly basis. Our rate for such services is \$250 per hour. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee. Hourly consulting clients may upgrade to annual retainer services. Under such arrangement a fixed fee will be quoted and fees paid under the consulting agreement will be applied toward the annual retainer fee. Hourly fees are due and payable upon completion of the service.

You may terminate the financial planning agreement at any time within the initial 12-month period and receive a full refund by providing our firm with written notice. You may terminate the annual retainer service agreement at any time by providing our firm with written notice.

### **Ambassador Program**

Raymond James & Associates, Inc. ("RJA"), administers the Ambassador Program. This program offers clients the opportunity to maintain full investment authority and direct the individual investments made within their account, or they may delegate investment discretion to our firm, rather than having a third-party money manager ("TPMM") or RJA manage their account through a managed account program. Under this program, RJA and its affiliates provide support services for clients and our firm, including establishing custodial facilities, establishing and/or adjusting pre-existing periodic investment and disbursement/payment plans, cash disbursements, account inquiry services, billing and payment remittance support, performance reporting, sales and trading support, educational opportunities and training to financial advisors and other account maintenance services.

The Ambassador program is a wrap fee investment advisory account offered and administered by Raymond James. We will manage your account on a discretionary or non-discretionary basis according to your objective. This account offers you the ability to pay an asset based advisory fee which includes transaction costs within the advisory fee in lieu of a commission for each transaction. We receive a portion of the fee. For further information refer to the RJA Wrap Fee Program Brochure.

There is a minimum investment of \$25,000 for Ambassador Accounts, although smaller accounts may be accepted based upon the specific circumstances of an account. The advisory fees for Ambassador Accounts are as follows:

### **Portfolio Management Services**

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

## Annual Fee Schedule for Ambassador

Account Value	Annual Fee
First \$250,000	1.20%
Next \$250,000	1.10%
Next \$500,000	1.00%
Next \$1,500,000	0.90%
Next \$2,500,000	0.75%
Next \$5,000,000	0.50%
Above \$10,000,000	0.25%

The annual asset-based fee is paid quarterly in advance or arrears, as outlined in the Investment Advisory Agreement. For accounts billed in advance, the asset-based fee is billed when the account is opened for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. For accounts billed in arrears, the asset-based fee is calculated on the account asset value on the last business day of the quarter for the previous quarter.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You may terminate the Investment Management Agreement upon written notice. You will incur a pro rata charge for services rendered prior to the termination of the Investment Management Agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We also offer to our clients a number of RJA's managed programs, including Freedom and the American Funds Model Portfolios under a subadvisory agreement with RJA.

### Freedom Program

The Freedom Account is an investment advisory account which allocates your assets, through discretionary mutual fund or exchange traded fund ("ETF") management, based upon your financial objectives and risk tolerances. You appoint RJA as your investment adviser to select the representative funds and monitor their performance on a continuing basis. For further information refer to the RJA Wrap Fee Program Brochure.

### American Funds Model Portfolios Program

The American Funds Model Portfolios Program ("American Funds Program") is a mutual fund advisory service that provides clients the opportunity to allocate assets among various asset classes that cover a variety of investment objectives (each an American Funds "Model"). Similar to the Freedom program,

the American Funds Program is an asset allocation-based mutual fund investment program. However, unlike the Freedom program where the Investment Committee establishes the asset allocation and selects the Funds for investment, the American Funds Program invests exclusively in American Funds mutual funds (similar to the Russell Program described in this section). Upon the client's selection of a Model, the client appoints Raymond James to manage each participating account on a discretionary basis with full power to effect buy, exchange and/or sell transactions of American Funds no-load mutual fund shares in predetermined model portfolios held in the client's name. Capital Research and Management Company ("Capital Research"), the adviser to the American Funds family of mutual funds, develops the portfolio asset allocation and selects the underlying funds populating each Model. For further information refer to the RJA Wrap Fee Program Brochure.

Our advisors work with our clients to choose an appropriate program and help the client to select the managers, strategies, or disciplines within the programs, as applicable. Once the program is selected by the client, RJA is appointed as a discretionary investment adviser under the appropriate advisory agreement. In this way, RJA acts as a subadviser in directly (or indirectly through other subadvisers) managing client's assets through the selected program. Both RJA (and its affiliates and agents, and other subadvisers, as applicable) and Capital Financial Group, Inc. advisors receive a portion of the advisory fee paid by the client.

These programs follow the same fee schedule as our Ambassador Program listed above.

### **Investment of Cash Reserves**

**INVESTMENT OF CASH RESERVES** Raymond James has established a system in which cash reserves "sweep" daily to and from the client's investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered the client's sweep account. The sweeps options available will vary depending on account type. Please refer to "Sweeps (Transfers) To and From Income-Producing Accounts" in the "Your Rights and Responsibilities as a Raymond James Client" Brochure, a current copy of which is available from your financial advisor, or you may visit the Raymond James public website for additional information: <https://www.raymondjames.com/wealth-management/advice-products-and-services/banking-and-lending-services/cash-management/cashsweeps>.

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation ("FDIC") and SIPC). The custodian may change, modify or amend an investment option at any time by providing the client with thirty days advance written notice of such change, modification or amendment. Clients selecting the Raymond James Bank Deposit Program ("RJBDP") option are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of client deposits at any of the Banks.

Raymond James Bank and the interest rate it offers through the RJBDP may differ from the yield on the Client Interest Program ("CIP"), but Raymond James Bank generally earns more than the interest it pays on such balances. Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts. Where an unaffiliated third party acts as custodian of account assets, the client and/or the custodian will determine where cash reserves are held. Additional information about the various cash sweep programs available can be found on the Raymond James public website at: <https://www.raymondjames.com/wealth->



[management/advice-products-and-services/banking-and-lending-services/cashmanagement/cash-sweeps.](#)

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customers are transferred automatically on a daily basis to the client's cash sweep account. When securities are sold, funds are deposited on the day after the settlement date. Funds placed in a client's account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to the client's investment account. Due to the foregoing practices, Raymond James may obtain federal funds interest rate prior to the date that deposits are credited to the client's investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.

### **Billing on Cash Balances**

We will assess advisory fees on cash sweep and foreign currency balances ("cash") held in Ambassador accounts. If the cash balance exceeds 20% of the Account Value as of the last business day of the quarter ("the valuation date") for three (3) consecutive quarterly valuation dates, the amount in excess of 20% is excluded from billing. For example, an Ambassador account that held 30% of the Account Value for three (3) consecutive billing valuation dates (March 31st, June 30th, and September 30th) would have the amount in excess of 20% excluded from the Account Value in which advisory fees are applied. For simplicity of illustration, assuming an account was valued at \$100,000 for all three (3) quarterly billing periods, with \$30,000 held in cash, the September 30th valuation date would exclude \$10,000 of the cash from the Account Value when assessing the advisory fee.

This fee billing provision (or "Cash Rule") is intended to equitably assess advisory fees to client assets for which an ongoing advisory service is being provided; the exclusion of excess cash from the advisory fee is intended to benefit clients holding substantial cash balances (as a percentage of the total individual Account Value) for an extended period of time. Clients should understand that the portion of the account held in cash will experience negative performance if the applicable advisory fee charged is higher than the return received on the cash sweep balance.

The Cash Rule may pose a financial disincentive to a financial advisor as the portion of cash sweep balances in excess of 20% will be excluded from the asset based fee charged to the account. This may cause a financial advisor to reallocate a client account from cash to advisory fee eligible investments, including money market funds, or to recommend against raising cash, in order to avoid the application of this provision and therefore receive a fee on the full account value. Clients may direct their financial advisor to raise cash by selling investments or hold a predetermined percentage of their account in cash at any time. The Cash Rule is applicable only to cash sweep and foreign currency balances and, therefore, nonsweep money market funds would not result in excess "cash" balances being excluded from the asset based advisory fee calculation.

Within the Ambassador accounts, the Cash Rule applies on either an individual or aggregate account basis as determined by the financial advisor. Your financial advisor may receive more compensation by not applying the Cash Rule at the household level and instead electing to do so at the account level.

Cash balances are generally expected to be a small percentage of the overall account value, as determined by the SMA/UMA Managers, in the American Funds, EHNW, Freedom, Freedom UMA, MDA, RJCS, RJRP and Russell managed accounts and therefore these accounts are not subject to the Cash Rule.



Clients should understand that Raymond James Financial stock (RJF) can be purchased on an unsolicited basis and held in accounts. This creates a conflict of interest because certain of our associated persons are dually registered as a registered representative with RJFS and Raymond James Bank is a wholly owned subsidiary of RJFS. In addition, RJF holdings are considered non-billable assets which could create a potential disincentive for the financial adviser to recommend to a client that the positions continue to be held.

Clients should understand that certificates of deposit (CDs) from Raymond James Bank may be purchased, with a commission, in the Ambassador program. These CDs are considered non-billable assets for one year. Due to certain of our associated persons being dually registered as a registered representative with RJFS and Raymond James Bank is a wholly owned subsidiary of RJFS, a potential conflict of interest exist.

Clients should understand that the annual advisory fees charged in the Ambassador program is in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that a Client intends to hold fund shares for an extended period of time, it may be more economical for the Client to purchase fund shares outside of these programs. Clients may be able to purchase mutual funds directly from their respective fund families without incurring RJFS' advisory fee. When purchasing directly from fund families, Clients may incur a front or back-end sales charge.

Clients should also understand that the shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (and not RJFS) to deter "market timers" who trade actively in fund shares. Clients should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, which may increase the overall cost to the Client by 1%-2% (or more), are available in each fund's prospectus.

Clients should also understand that certain no-load variable annuities may be offered in the Ambassador program and may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

Clients should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the Ambassador program. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on a Client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where an IAR may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved. In the cases where margin debit interest is charged to a client account, the IAR may receive a portion of the interest charged as a Controlled Asset Fee, presenting a potential conflict of interest.

### **Wrap Fee Disclosures**

The Ambassador program Ambassador is considered to be wrap fee type program in that commissions are not charged. The advisory fee paid by the client includes custody, trades, management expertise and reporting in a bundled format. In such instances we receive a portion of the wrap fee.

A Client's total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include the Client's ability to:

1. obtain the services provided within the programs separately with respect to the selection of mutual funds,
2. invest and rebalance the selected mutual funds without the payment of a sales charge, and
3. obtain performance reporting comparable to those provided within each program.

When making cost comparisons, Clients should be aware that the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or the Client otherwise may not qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or the Client otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

The Client's IAR may have a financial incentive to recommend a fee-based advisory program rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to the Client's IAR, which may be more than the IAR would receive under an alternative program offering or if the Client paid for these services separately. Therefore, the Client's IAR may have a financial incentive to recommend a particular account program over another. IARs do not receive a financial incentive to recommend and sell proprietary mutual funds versus non-proprietary funds. However, because compensation structures vary by product type, IARs may receive higher compensation for certain product types. In addition, your IAR may receive incentive compensation for utilizing a particular account program.

We believe the charges and fees offered within each fee-based program are competitive and reasonable when compared to alternative programs available through other firms and/or investment sources. However, we make no guarantee that the aggregate cost of a particular program is lower than that which may be available elsewhere.

Clients that terminate the advisory agreement(s) within the first five (5) business days of entering into the advisory agreement will have any advisory fees that were charged refunded back to them.

All above quoted fees may not be negotiated within the stated fee schedule; however certain circumstances may dictate an exception from the set range.

### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, certificates of deposit, municipal securities, investment company securities, US Government securities, options contracts on securities and interest in partnerships investing in real estate, oil and gas interests, variable annuities and equity index annuities.

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

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

### **Assets Under Management**

As of December 31, 2020, we provide continuous management services for \$126,811,853 in client assets on a discretionary basis, and \$71,365,943 in client assets on a non-discretionary basis. We also manage \$12,230,368 in client assets on a non-continuous basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

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

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

Persons providing investment advice on behalf of our firm are registered representatives with Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their separate capacity as registered representatives, these persons receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received rather than solely based on your needs.

While persons providing investment advice to advisory clients on behalf of our firm can select or recommend mutual fund investments in share classes that pay 12b-1 fees, it is our policy that these persons do not select or recommend share classes that pay 12b-1 fees for your advisory account. Thus, we will not receive a 12b-1 fee and an advisory fee on the same asset. In the event that we inadvertently receive a 12b-1 fee on an advisory account, we will rebate the 12b-1 fee to your advisory account. However, it is important to note that these persons, when acting in their separate capacities as registered representatives, can select or recommend, and in many instances will select or recommend, that your brokerage account purchase mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above.

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

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as registered representatives and/or insurance agents.

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

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

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

## **Item 7 Types of Clients**

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

The minimum to open an Ambassador account is \$25,000. However, we have the discretion to waive the minimum dollar amount.

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

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

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

Technical Analysis - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the Ambassador program. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where your Adviser benefits from the use of margin creating a higher absolute market value and therefore receive a higher fee. The use of margin also results in interest charges in addition to all other fees and expenses associated with the security involved.



## **Risk of Loss**

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

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

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

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

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

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

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

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

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

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

A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits". These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges) the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.



## Item 9 Disciplinary Information

Capital Financial Group, Inc. has been registered and providing investment advisory services since 2001. Neither our firm nor any of our associated persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

### Registrations with Broker-Dealer

Persons providing investment advice on behalf of our firm may be registered representatives with RJFS, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

### Arrangements with Affiliated Entities

In addition to being registered as an investment adviser, our firm is also licensed as an insurance broker. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents/brokers. These persons may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

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

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

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

### Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Alexander Leonida at 303-629-7500.

### Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

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

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of RJFS, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that RJFS provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by RJFS, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services RJFS provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

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

We do not have any soft dollar arrangements

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

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

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares

purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

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

Dennis Leonida, President/Investment Adviser Representative, Alexander Leonida, Chief Compliance Officer/Investment Adviser Representative, and/or John Guigli, Investment Adviser Representative, will monitor your accounts on an ongoing basis and will conduct account reviews at least annually and upon your request to ensure that the advisory services provided to you and/or the portfolio mix are consistent with your current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

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

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We will not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

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

## Item 15 Custody

For clients participating in the Ambassador program, we directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. You may elect, at your discretion, to pay our fee directly to RJFS, your account custodian, rather than having our fees directly debited from your account.

### Trustee Services

Persons associated with our firm may serve as trustees to certain accounts for which we also provide investment advisory services. In all cases, the persons associated with our firm have been appointed trustee as a result of a family or personal relationship with the trust grantor and/or beneficiary and not as a result of employment with our firm. Therefore, we are not deemed to have custody over the advisory accounts for which persons associated with our firm serve as trustee.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or the appropriate trading authorization forms.

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

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

### Proxy Voting

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

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

## Item 18 Financial Information

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

- require the prepayment of more than \$1200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Your Privacy

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

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

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Alexander Leonida at 303-629-7500, if you have any questions regarding this policy.

### Trade Errors

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

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.