

Form ADV Part 2A: Investment Advisor Brochure and Client Disclosure Document

2021



Name of Registered Investment Advisor	Capital Advisory Group, Inc.
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Date of Last Brochure Revision	3/15/2021

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of Clients and prospective Clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at: www.adviserinfo.sec.gov.

MATERIAL CHANGES

Material changes to the ADV Brochure will be provided as a separate page or additional separate document to Clients who have received previous versions of the Brochure.

As of the date of this Brochure March 15th, 2021 Capital Advisory Group, Inc. has made no material changes to its business or its services it provides its Clients since its most recently filed Form ADV prepared in March of 2020.

Delivery of Material Change information

Within 120 days of our fiscal year end we will deliver our annual Summary of Material Changes if there has been any material change since the last annual updating amendment.

With this Summary, we also hereby offer to deliver an updated Investment Advisor Brochure upon your request at any time during the year. You may obtain this information in one of two ways:

- Contact our firms CCO: James S. Hopson, Jr. at (972) 770-4840.
- Online access at the Investment Adviser Public Disclosure website at: www.adviserinfo.sec.gov

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ADVISORY BUSINESS

Capital Advisory Group, Inc. (“CAG”) a Dallas, Texas based wealth management firm has been providing financial planning and investment advisory services to its Clients for over twenty five years since its formation in 1990.

It was founded by James S. Hopson, Jr. MBA, CPA, CFP® a resident of Dallas, Texas for over 40 years who currently holds the positions of President, Chief Executive Officer and Chief Compliance Officer. Mr. Hopson has been in the financial services industry since 1978 when he began his career with Price Waterhouse & Co. (now Price Waterhouse Coopers an international accounting firm) in the Dallas office after graduating from the University of North Texas with his Masters of Business Administration in Accounting and Taxation. Mr. Hopson also holds a Bachelors of Business Administration with a major in accounting from Abilene Christian University. After working in the tax department at Price Waterhouse & Co. he subsequently worked at two other companies in investment related businesses as a financial manager, controller and chief financial officer before founding his own public accounting firm in 1987.

Capital Advisory Group, Inc. offers advisory services designed to address the major areas of personal financial planning and investment management including, but not limited to, the management of retirement accounts, jointly owned and individual investment accounts as well as company retirement and 401(k) plans. We offer personal financial planning, estate planning, retirement planning, tax planning, cash flow strategies, and insurance planning on a comprehensive basis or for a specific area of financial planning. The purchase of these various planning services are not required in order to become a Client but are offered on an as needed and/or as requested basis.

CAG’s assets under management as of March 15, 2021 were \$170,606,210. These Client assets are managed on a discretionary basis for approximately 80 families, individuals, trusts and companies.

CAG’s services are based on the individual needs of each Client. CAG offers an initial meeting and data gathering session at no charge between the prospective Client and their designated Investment Advisor Representative “Investment Advisor” in order to more completely understand the Client's current financial situation and investment objectives.

The initial meeting gives the prospective Client the opportunity to get to know CAG, its management, its financial planning and investment philosophies as well as to discuss guidance, concerns and limitations regarding the management of their investment accounts, planning needs and any other financial or personal matters the Client believes we need to be made aware of.

Once a prospective Client agrees to become a Client of the firm we jointly determine and agree in writing, by signing an **Investment Management Agreement**, to the duties and responsibilities of

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CAG and the Client. We also jointly agree to the Client's investment objectives and their financial planning needs by signing an **Investment Policy Statement** with the Investment Objectives of each of the Clients accounts outlined in the attached addendum. **Clients have the ability during this process to discuss their investment concerns and establish standing investment instructions and restrictions on their account with CAG and their Investment Advisor Representative.** For example; A Client may establish in its Investment Policy Statement a requirement to refrain from investing in particular securities or types of securities or to limit investments in certain securities.

Each quarter CAG will remind the Client in writing via its newsletter to contact their Investment Advisor and notify in writing us if there have been any changes in their financial situation or investment objectives, or to request a meeting or impose some new or modify existing account restrictions. Usually the Investment Advisor Representative will contact and/or email the Client several times during the year in order to discuss or update the Client's current situation and update the Clients investment objectives if necessary or desired. CAG will respond to each Client more often if the Client requests advice on any other important financial issues.

Client Obligations: In performing our services, CAG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. After such notice we can then make adjustments or recommendations. The Client can also impose new restrictions that will be confirmed by us in writing or shown as an update to their Investment Policy Statement or Statement of Investment Objectives. Clients may call in at any time to discuss directly with their Investment Advisor Representative information about their account, their personal financial situation, concerns or investment needs but all changes need to be confirmed in writing.

Clients will receive each month a consolidated activity and performance report and each quarter a more detailed consolidated performance report and portfolio analysis from CAG. Clients will also receive from their specific custodian or brokerage firm timely trade confirmations as required and monthly or quarterly statements containing a description of all account transactions and all account activity, including the fees charged by CAG. After the initial transfer of assets, cash or securities to a custodian recommended by CAG, the Client retains all rights of ownership of all securities and funds in the account to the same extent as if the Client held the securities and funds outside the supervision of CAG and their Investment Advisor representative. In other words there is no change of ownership of the assets transferred to the new custodian. **As mentioned earlier, in addition to statements from the custodian, CAG sends monthly and quarterly performance reports to the Client in order to keep the Client clearly informed of the changes in the values and performance of their accounts.**

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When requested, CAG offers it's Clients financial planning services (in most cases) at an additional cost described in the following section of this Brochure. The planning is designed to focus on each individual Client's financial situation, needs and concerns. Planning may be done on a comprehensive basis where we focus on all areas of the Clients situation or it may be focused specifically on investments, insurance, taxes, estate or other planning needs.

Written financial plans are only prepared under the terms of a CAG's written Financial Planning Agreement that specifies the objectives of the plan, how the plan will be delivered and the costs associated with preparing the plan. CAG may also provide clients access to an online financial planning and asset aggregation software to help assist the Client with a better understanding of their financial situation.

CAG and its Investment Advisor Representatives are concerned about each Client's financial situation. Therefore, discussions between the Investment Advisor and the Client regarding important areas of financial planning can be incorporated into most formal Client meetings. During these discussions we try to insure that our Clients are aware of certain financial risks (such as the possible need for life insurance, long term care or disability insurance) and the steps required to manage them such as applying for and obtaining certain types of insurance coverage. These steps even though they may be discussed or recommended are not the responsibility of CAG to implement, manage, monitor or correct unless requested and agreed to in writing by both parties.

FEES AND COMPENSATION

FINANCIAL PLANNING SERVICES

Recognizing that each Client situation is unique, CAG is able to provide and charge for its financial planning services using various methods as described below. Clients may select the most appropriate method depending on their personal circumstances, the desired level of individual service or attention and the duration or length of CAG's involvement in the process.

- 1) Hourly-rate Basis.** A Client may elect to engage CAG on an hourly basis to perform specific tasks including, but not limited to, analysis of a single area of the Client's financial affairs such as retirement planning or estate planning. CAG's staff billing rates range from \$80 to \$350 per hour depending on the complexity of the work, the degree of specialized knowledge and the level experience required. Prior to beginning any financial planning engagement, CAG will provide the estimated total costs of the work requested and describe in writing the services to be rendered. These costs are subject to adjustment and any changes in the estimated costs will be communicated to the Client. If the Client subsequently changes the scope or nature of the work or if additional work is required based on CAG's determination we will discuss these issues with the Client and make sure we are in agreement prior to continuing the work. **Clients are free to stop the work requested or change the scope of the work required if these costs are unacceptable or an agreement cannot be reached. In**

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such cases CAG will work to make sure the Client has received all of the services they paid for or refund all or a portion of the Clients planning fees in accordance with the written terms of our Financial Planning Agreement.

CAG may collect a portion of the estimated fee at the time the engagement or work begins and will invoice Client for the balance of the work at the time the completed analysis is presented or during the engagement if it determines that is more appropriate.

- 2) **Fixed-fee Basis.** In situations where a comprehensive, written financial plan is recommended or requested, CAG may suggest that such work be performed on a fixed-fee or retainer basis. CAG uses the following schedule, based on income and net worth, to estimate the appropriate fee. CAG's minimum fee for a comprehensive plan is \$2,000. In some cases one-half of the fee is due upon commencement of the work, with the balance due upon presentation of the final plan.

CAG GUIDELINE FOR ESTIMATING COMPREHENSIVE CLIENT FINANCIAL PLANNING FEES

Client's Income	Client's Net worth	Estimate of Fee
\$100,000	to \$350,000	\$2,000
\$100,001 to \$150,000	to \$500,000	\$2,250
\$150,001 to \$200,000	to \$750,000	\$2,500
\$200,001 to \$300,000	to \$1,000,000	\$3,000
\$300,001 to \$400,000	to \$1,500,000	\$3,500
\$400,001 to \$500,000	to \$2,000,000	\$4,000
Above \$500,000	above \$2,500,000	Negotiated

Where a Clients income and net worth are under different ranges, an estimate might be the average of the two fees.

The actual fee will be based on an analysis of each Clients situation and the time required by the financial planning professional(s) in each case. These costs are subject to adjustment, and changes in estimates will be communicated to the Client if the Client subsequently changes the scope or nature of the work or if additional work is required based on CAG's determination. **Clients may suspend the work requested or change the scope of the work required if; the revised cost is unacceptable or a new agreement cannot be reached. In such cases CAG will work to make sure the Client has received all of the services they paid for or refund all or a portion of the Clients planning fees in accordance with the written terms of our Financial Planning Agreement.**

- 3) **Financial Advisory Service.** CAG also offers on-going financial advisory and planning services on a retainer basis. The purpose of this service is to offer regular discussion and

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reviews of a Client's financial matters and Client's financial plan on an as requested or as needed basis. This could include Client balance sheet updates, income tax and cash flow projections, (as needed for planning) a written review and recommendations, if requested.

Although this retainer agreement may renew annually at the same rate as initially agreed, the Client or CAG is free to discontinue this service at any time. These costs are subject to adjustment, and changes in estimates will be communicated to the Client if the Client subsequently changes the scope or nature of the work or if additional work is required based CAG's determination. **Clients are free to suspend the work requested or change the scope of the work required and a new agreement will be signed outlining the terms and responsibilities of all parties. If an agreement is terminated or discontinued by either party CAG will make sure the Client has received all of the services they paid for or refund all or a portion of the Clients planning fees in accordance with the written terms of our Financial Planning Agreement.**

Under this arrangement, Client has access to CAG's financial advisory services for the duration of the agreement based on the terms of the original agreement and the estimated levels of service offered. The fee for this service is deducted from the Clients accounts monthly, usually in arrears. CAG develops an estimate based on individual Client needs, complexity of the situation, and services desired in determining the appropriate annual fee. Individual Client charges will vary by circumstances, services requested and the complexity of their individual situation.

Limitations of Financial Planning and Non-Investment Consulting/Implementation

Services: It has been and still is our policy to have a separate Financial Planning Agreement (FPA) signed by each Client that wants CAG to provide Financial Planning services. The Agreement defines the cost associated with the Financial Planning services or Advice we offer. Under the terms of our current IMA unless you have signed a Financial Planning Agreement (FPA) or Services Schedule, we are not currently nor have we been providing "Financial Planning" services to you (as defined by the CFP® Board).

To the extent engaged by a client to do so, we will generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. CAG does not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as such. Accordingly, CAG does not prepare estate-planning documents, tax returns or sell insurance products. Although some professionals employed by the firm may provide these service for CAG's clients under a separate agreement or engagement letter. To the extent requested by a client, CAG may recommend the services of other professionals for various non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), which may include our representatives in their separate licensed capacities as insurance agents and/or a certified public accountant (see disclosure at Item 10 below). Clients are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. Please Note: If the client engages any unaffiliated

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recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

INVESTMENT MANAGEMENT SERVICE FEES

CAG offers investment management and portfolio advisory services for a fee based on a percentage of assets under management. CAG's investment advisory services are designed to offer individuals, trusts, corporations and retirement plans with the appropriate asset allocation, diversification and portfolio risk characteristics consistent with prudent portfolio management.

Clients are charged a prorated amount of CAG's annual percentage advisory fee monthly, based on the Clients assets managed by CAG as of the end of the prior month. The fee is deducted from the Clients investment account(s) within 5 days after the beginning of the following month.

This is authorized by the Client by giving CAG a Limited Power of Attorney over the account which allows trading and deduction of its authorized fees by the Custodian of the account. The fee is calculated immediately following the end of each month. CAG maintains detailed records and invoices for each Clients account which are available at the Clients request at any time. Stated another way, CAG provides its advisory services prior to collecting the prorated annual fee on a monthly basis as authorized by the Client.

Unless requested, the detailed fee calculation invoices are not sent to the Client each month by CAG. The deduction of the authorized fees per the Client's Investment Management Agreement will be shown as an expense on the Clients monthly statement from CAG and reported clearly by the custodian on the monthly statement and annually. The fee will be shown as being deducted from the cash portion of one or more of the Clients accounts (if prorated among the accounts each month).

Additionally, CAG's management fee is reported to the Client by the Custodian, usually Schwab, and shown each month on the front page of the Clients statement for the account or accounts as such. The Custodian is not responsible for verifying the calculation of the fee.

Clients may terminate CAG's investment management services at any time with 30 days' notice and receive a full refund of any unearned fees if any. The following list of charges detail CAG's compensation for portfolio advisory services.

- 1) Portfolio Evaluation and Account Establishment**– If a Client has an existing investment portfolio, CAG would evaluate Client's current holdings for possible repositioning. This evaluation includes a review of the investments for compatibility with Client's objectives. If a prospective Client chooses to use CAG's investment management services, Client will normally be assessed a one-time setup fee to establish the appropriate custodial or brokerage account(s) and/or trustee relationships, transfer the Clients assets and for the development of

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the initial asset allocation and selection of the initial recommended portfolio of mutual funds, managers and other securities.

Initial Setup Fee - \$500

- 2) **Investment Management** – After Client's account is established and invested, CAG's reports provide a monthly evaluation of the portfolios rate of return, asset allocation and diversification. CAG manages the account in accordance with the Client's Investment Policy Statement or Statement of Investment Objectives and will from time-to-time replace selected mutual funds and/or other assets with similar or different ones based on CAG's analysis of the account, the mutual fund managers performance, Client circumstances and financial markets. **For this service, CAG charges a service, management and reporting fee in accordance with the following schedule:**

ANNUAL PERCENTAGE OF INVESTMENT MANAGEMENT FEES CHARGED AND COLLECTED MONTHLY

Portfolio Size	Annual Fee as % of Portfolio Assets
First \$250,000	1.50
\$250,001 - \$2,000,000	1.00
\$2,000,001 - \$5,000,000	0.75
Over \$5,000,000	0.50

In most cases, the above fee schedule is also assessed on any individual securities, cash, money market accounts, stocks or bonds in the account which are retained from Client's prior portfolio. In order to facilitate management and reporting on variable annuities previously owned by a Client, CAG usually recommends an insurance company and broker-dealer that we believe will charge lower fees for custody of these types of accounts and that allows us to download information into our portfolio management system. The values of accounts are updated in our portfolio management system on a daily basis by downloading the information from the custodian's computers and fees are calculated on the ending monthly balances of the assets and any other Client assets in the account per our fee schedule. **Client is urged to compare all custodial account statements against statements prepared by CAG for accuracy and notify us if there are discrepancies or they do not receive their monthly or quarterly statement.** Statements for some Companies or custodians such as fixed annuity statements are only issued by the insurance company annually. In these cases CAG will include the most recently provided account values of the annuities in its statements as a convenience or accommodation to the Client. **The statement values will not reflect any surrender charges or other adjustments that might be applicable if the Client wanted to withdraw all or a portion of their funds; therefore the values may be overstated when viewed from the perspective of what would be received if the account were immediately liquidated.**

Statements from Insurance Companies are not always provided to CAG and therefore it is

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the responsibility of the Client to forward us any information to be included or updated in their report otherwise the last values provided will be reported. No investment management fees are charged by CAG on the values of fixed annuities included in the report that were originally recommended by any related party. Client is urged to compare all custodial account statements against statements prepared by CAG for accuracy. Fees are charged to provide ongoing service, management oversight and reporting on the Client assets typically held by our recommended custodian(s).

CAG reserves the right to negotiate the fee in #2 above in situations where the size of a prospective Clients portfolio is significantly larger than shown in CAG's published fee schedule or as CAG deems appropriate in its sole discretion. There are some existing long-term CAG Clients who are on fee schedules that cost somewhat less than the fee schedule currently charged by CAG. CAG has currently decided to continue to honor the lower fee schedule on a case by case basis due to these Clients long standing relationships with the firm.

CAG believes that its fees are comparable and in line with other investment advisers that offer similar services; however, it is possible that a Client might be able to receive similar services from another investment adviser at a lower cost.

Each no-load mutual fund, exchange traded fund, note or separate account manager recommended by CAG has its own internal operating expenses, trading costs or possibly other types of fees which are deducted from the assets of that fund or separate account. The custodian, insurance company or broker may also charge fees for some transactions that occur inside the Clients account such as trading or service fees on certain mutual funds, exchange traded funds, stocks or bonds. Most insurance companies charge fees on accounts maintained with them such as mortality and administration as well as fees for guaranteed income, distribution or death benefits. CAG's management fee has no bearing on these expenses and CAG does not share in or benefit from these fees. CAG will try and negotiate lower fees for its Clients accounts when possible and will use custodians, insurance companies and brokerage firms that we believe give the client the best cost benefit relationship.

Please Note-Use of Mutual Funds: Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by CAG independent of engaging CAG as an investment advisor. However, if a prospective client determines to do so, he/she will not receive CAG'S initial and ongoing investment advisory services.

From time-to-time, as part of CAG's investment recommendation, Mr. Hopson, CAG's President, Owner and an Investment Advisor Representative of the firm, may recommend the use of fixed annuities and/or life insurance if deemed appropriate. In the case where a fixed annuity is recommended and subsequently purchased by the client and Mr. Hopson is the selling and servicing agent of record he would be compensated as would any other insurance agent by being paid a commission. This could be viewed as a possible conflict of

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interest. We recommend Clients discuss in depth all aspects of these types of recommendations with us and their other professionals prior to purchasing them. In addition to being compensated for the sale of such products these annuities may also have declining surrender charges and market value adjustment charges that would in most cases be imposed on the surrender of the Client's annuity if the annuity is surrendered or sold prior to the maturity date.

If an annuity is recommended by Mr. Hopson or any other CAG Investment Advisor and purchased by a Client, Mr. Hopson or the other Advisor would normally be paid a normal commission on the investment based on the amount of money invested. CAG does not charge any fees on the portion of the portfolio invested in fixed type annuities that have previously paid Mr. Hopson, or any other prior or current CAG Investment Advisors or any other related party a commission.

Recommendations of these types of products could pose a conflict of interest situation due to the size and upfront nature of the compensation paid. All of these issues are discussed with Clients prior to the recommendation and or purchase by the Client of this type of investment. CAG and Mr. Hopson believe that these types of investments should normally only be used when other more traditional fixed income investment options are not overly attractive due to various reasons or in special needs situations. Special situations such as a Client needing less market risk or a more structured stream of income that might be better provided by an insurance company versus typical fixed income type investments. **As stated above, CAG will in instances where a related party has received compensation for the recommendation and subsequent purchase of a fixed type annuity by a Client whose other assets are managed by CAG exclude from its management fee the assets invested in the fixed annuity so that it does not charge on the annuity going forward until after maturity and reinvestment in another type of investment product or fund.** The exclusion of assets, serves in CAG's belief, as a significant mitigating factor to the potential conflict of interest. Commissions paid Mr. Hopson from these types of investments over the past three to four years have been less than 5-10% of the overall revenues of the firm.

Please Note: Retirement Rollovers

If Client is: (1) a participant or beneficiary of a Retirement Plan subject to Title I of the Employee Retirement Income Security Act ("ERISA") or described in section 4975(e)(1)(A) of the Internal Revenue Code (the "Code"), with authority to direct the investment of assets in his or her Plan account or to take a distribution; (2) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or, (3) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Code, then the Adviser represents that it and its investment adviser representatives are fiduciaries under ERISA or the Code, or both, with respect to any investment advice provided by the Adviser or its investment adviser representatives or with respect to any investment recommendations regarding a Retirement Plan subject to ERISA or participant or beneficiary account

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No Obligation/Conflict of Interest: A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his former employer's plan, if permitted, ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). CAG may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) advised by CAG. As a result CAG and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to CAG (unless you engage CAG to monitor and/or advise on the account while maintained with the client's employer). CAG has an economic incentive to encourage an investor to roll plan assets into an IRA that CAG will advise on or to engage CAG to monitor and/or advise on the account while maintained with the client's employer. There are various factors that CAG may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus those of CAG, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA advised by CAG or to engage CAG to monitor and/or advise on the account while maintained with the client's employer. CAG'S Chief Compliance Officer, James S. Hopson, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.

PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT OF ACCOUNTS

CAG does not charge performance-based fees, which are based on capital gains in Client accounts often above a certain minimum level. Side by side management exists when an advisor manages similar client portfolios that have different structures, fee arrangements or other characteristics. Even though the Investment Objectives of some accounts are the same, many if not all of the accounts at CAG are managed differently due to various reasons. This is primarily due to different starting investment dates for the portfolio, tax consequences customization and personal choices made by each individual Client and their advisor. **Some accounts may be significantly different with respect to the cost to manage and the structure of the portfolio. This is usually due to the size of the different accounts but there could be other reasons. This could be considered a possible conflict of interest due to the fact that the Investment Advisor may spend more or less time working on larger accounts or other accounts of this nature.**

TYPES OF CLIENTS WE SERVE

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CAG provides advisory services to high net worth individuals (individuals with a net worth normally over \$1,000,000), pension and profit sharing plans and other ERISA accounts, trusts, estates, and business entities.

Generally, as a condition for accepting a new client relationship CAG desires to achieve a minimum of a combined total gross annual fee related revenue from each Client of \$7,500 based on its standard fee schedule from its Investment Management Program and other consulting and planning services it offers. This usually will require each current or prospective Client to have placed or maintain a minimum amount of assets equal to approximately \$500,000-\$600,000 in assets under the management of CAG in the Clients custodial account at Charles Schwab or other acceptable custodian. In its sole discretion, CAG may elect to accept and/or maintain accounts that are less than this minimum asset or revenue level. Also CAG, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its aggregate account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** If you maintain less than approximately \$600,000 of assets under CAG's management, and are subject to the \$7,500 annual minimum fee, you will pay a higher percentage fee than referenced in the above fee schedule.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

CAG believes that the use of modern portfolio theory, asset allocation strategies and diversification of investment choices is how it best provides its Clients their portfolio management and supervision. To accomplish this, CAG uses various model portfolios which are strategic asset allocations internally developed by it that use various investment vehicles such as mutual funds, separate account managers, exchange traded funds, and other individual securities. These various investment vehicles are made available on the custodian's investment platform and are provided by a number of institutional investment strategists or fund managers. **Although the various models are each similar in construction from an overall asset allocation standpoint most Clients accounts will not be identical to each other as each portfolio may be constructed with different mutual funds, exchange traded funds or managers as deemed appropriate by CAG and the Client.**

After meetings and conversations with the Client where we learn about their investment experience, risk tolerance and various investment time horizons. We recommended to the Client specific portfolios are that are believed to be the most appropriate for the Client based on the Clients objectives, personal situation, our experience and research, asset allocation methodology and investment strategies at the time.

We use various methods to obtain information about how to develop our investment strategies and select our mutual funds, exchange traded funds "ETF's" or separate account

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managers. These methods include reviews of financial newspapers, magazines and white papers (research papers). We also do analysis using software such as Morningstar Advisor Workstation which provides research and various other types of investment information on mutual funds, ETF's and stocks. We use other methods of research and analysis, including research provided by the funds themselves, Schwab and corporate rating services.

Mr. Hopson is a licensed insurance agent who is contracted with various insurance companies. Standard insurance agent commissions will be paid to him if a Client elects to purchase life insurance, disability income insurance or annuity policies through him. Clients are made aware of his role as the agent prior to any recommendations or sales are made and the compensation amount they receive is disclosed verbally and available in writing upon request.

While there is risk in all investments, some investments carry a greater degree of risk, volatility or higher costs. Clients must recognize that investing in individual securities, bonds, mutual funds and ETF's involve a higher level of risk of loss of their investment dollars or a significant decline in value of those investment dollars, and are not FDIC insured. These are risks which Clients should be prepared to bear as a part of seeking to accomplish their overall long term investment objectives or strategy using these types of investments while working with an investment advisor such as CAG.

There is no stated or implied guarantee by CAG, Mr. Hopson, any other related party or by the Custodian that the investment strategy selected for the Client will result in achieving the Client's long or short term goals or objectives. Nor is there any guarantee stated or implied (by any of the previously mentioned parties) of profit or protection from loss when investing with them. Past history of performance should not be relied on as a predictor of future performance and investments are not FDIC insured against loss. For those investments sold by prospectus, Clients should read the prospectus in full and discuss any questions they have about their investments with CAG or their Investment Advisor.

CAG does not directly offer, provide advice, or normally recommend tactical market strategies (e.g. market timing, short selling, or the use of call or put options) to its Client's. In other words CAG does not offer to nor are the firm's investment strategies designed operationally to (without the Client's specific instruction) take Clients investments to cash in volatile or uncertain markets to avoid losses. This type of reposition will not be done unless specifically recommended by us on a case by case basis or requested to do so by the Client and agreed to by the Client and CAG and confirmed in writing by email or another approved method. CAG generally manages Clients assets using a long term approach (usually a minimum of 3-5 years) and a strategic asset allocation and diversification methodology. These recommendations and the implementation of them are based on discussions with each individual Client and in agreement with their Investment Policy Statement ("IPS") or Statement of Investment Objectives.

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In order to help Clients understand more about the risks of investing, CAG is disclosing below some (but not all) of the possible risks of various types of securities we may use:

- We use debt securities such as bonds and bond mutual funds or ETF's that are subject to interest rate risk and may decline in value during periods with rising interest rates or lose value due to the risk of issuer default.
- We may use mutual funds or ETF's that own high yield securities, that are corporate debt securities rated below investment grade (sometimes referred to as Junk Bonds) and may have issuer default risk and interest rate risk.
- There are tax consequences for short-term buying and selling of securities wherein capital gains are taxed as ordinary income (CAG does not recommend this type of trading activity but it may occur from time to time).
- Our investment management approach is a diversified long term approach that uses various asset classes and specifically designed portfolios or strategies that are selected for each Client based on several factors such as risk tolerance, time horizon and cash flow needs. But those strategies will not protect against potential large losses or portfolio declines in the short or possibly even long term in certain economic environments or circumstances. Especially as it relates to equity or stock oriented investments such as individual stocks, equity oriented mutual funds or exchange traded funds with an equity or stock oriented focus. These losses or declines may not be recovered for years or possibly ever if the Client changes their investment objectives or risk tolerance level during one of these periods.
- Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CAG) will be profitable or achieve any specific performance level(s).

DISCIPLINARY INFORMATION

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a Client's or prospective Client's evaluation of the advisory business or of the integrity of its management personnel. CAG does not have any legal, regulatory or disciplinary items to disclose or report.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES

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On a regular basis, James S. Hopson, Jr., CPA, CFP®, the President and Chief Executive Officer of CAG, and an Investment Advisor Representative of the Firm provides investment and general financial advice to Clients. This may include personal financial planning or business financial planning. Mr. Hopson spends about 70-80 percent of his professional time in this area of work. Mr. Hopson also provides tax advice and counsel to other Clients on a regular basis. He spends about 20-30 percent of his time in this area.

Mr. Hopson prepares tax returns and renders other tax related services to his Clients and their firms through his accounting firm, James S. Hopson, Jr. CPA. All of the services relating to his Clients are treated as separate and apart from CAG unless specifically agreed to in writing by the Client. Mr. Hopson receives compensation for services provided by him individually in connection with these services.

Mr. Hopson is also active in other business endeavors. These include the selling of life, disability and long term care insurance, and the practice of accounting which does not involve the rendering of investment advice. No client is under any obligation to purchase any insurance commission products from Mr. Hopson. Clients are reminded that they may purchase insurance products recommended by CAG through other, non-affiliated licensed insurance agents.

In certain situations, he may assist with the structure and formation of new business entities as well as funding and design of the business. Compensation received is disclosed to all parties prior to their involvement in these other business endeavors.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING POLICIES

Investment advisors at CAG are required to have obtained a high level of financial advisory experience and pass the required exams or have other industry accepted designations prior to working directly with a Client as an Investment Advisor Representative. In order to maintain these high standards CAG has implemented and maintains an internal Code of Ethics that must be read, acknowledged, signed and adhered to by all owners, executives, and employees.

The CAG Code of Ethics sets forth standards of conduct expected of its personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel. Clients, or prospective Clients, are encouraged and welcomed to review the CAG Code of Ethics and may request a copy of the Code of Ethics at any time by contacting CAG or their Investment Advisor.

PERSONAL TRADING POLICIES

At times CAG and/or its Investment Advisor(s) may take positions in the same individual securities as Clients, and if we do we will always try to avoid any conflicts with our Clients.

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For example, the firm and its Investment Advisor Representatives will generally avoid trading at the same times as Clients, trade after Client trades have been made or be “last in” and “last out” for the trading day when trading occurs in close proximity to Client trades. Mr. Hopson and most employees of CAG primarily invest in mutual funds, exchange traded funds and bonds just as we recommend our Client’s do. Mutual fund investments, our primary recommended investment vehicles, are not impacted by timing of the investment since they only trade at the close of each business or trading day. We will not violate our fiduciary responsibilities to our Clients. Scalping (trading shortly ahead of Clients) on daily traded securities that have also been recommended to clients is also prohibited. Should a conflict occur because of materiality issue (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading is not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading. CAG employees are allowed to maintain their own investment strategies and make decisions regarding their investment portfolios that they believe are appropriate for their best interest and personal financial situation as long as it does not create a conflict of interest with our Clients.

BROKERAGE PRACTICES

RECOMMENDATION OF CUSTODIANS AND BROKER-DEALERS

In cases where Client has engaged CAG to manage a portfolio of investments on a fee basis as described in “Investment Management Services” in this brochure, CAG will recommend the use of a broker/dealer firm to act as custodian of Client’s assets, which in almost every situation will be the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC. CAG has evaluated such firm’s ability to execute trades, its transaction charges, account fees, financial stability and amount of account insurance before a recommendation or choice is made to use the firm. CAG relies primarily on its actual experience in working with the current custodian Schwab as a significant part of its decision making process.

Capital Advisory Group, Inc. (CAG) recommends that its Clients establish brokerage accounts with Schwab, a registered broker-dealer, member SIPC, to maintain custody of Clients’ assets and to effect trades for their accounts. CAG believes this is appropriate given its decision to primarily only use Schwab in most cases as it custodian at this time. Capital Advisory Group, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides CAG with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to

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independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's Clients' assets are maintained in accounts at Schwab.

Services are not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For CAG's Client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through trading fees, asset based fees, commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab will in some cases also receive fees from the mutual funds or exchange traded funds that are in the Clients accounts at Schwab.

CAG may also recommend that client use Nationwide Advisory Services, Lincoln National Life Insurance Company or others to custody their variable annuity assets which are transferred to CAG for supervision and management. The particular Custodian or insurance company will be recommended on a case by case basis depending on the Client's needs and objectives. CAG has used Nationwide Advisory Services in most cases for custody of Client variable annuity assets due to its **"no-load" or no commission** low cost flat fee structure, investment offerings and technology platform. CAG only recommends Nationwide Advisory Services, Lincoln National Life Insurance Company or other company's products that are **"no-load"** to custody their variable annuity assets which are transferred to CAG for supervision and management.

BENEFITS AND COMPENSATION

In the event that the client requests that CAG recommend a broker-dealer/custodian for execution and/or custodial services, CAG shall generally recommend that investment management accounts be maintained at Schwab. Factors that the CAG considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with the CAG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by CAG's clients shall comply with the CAG's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where the CAG determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although CAG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by

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the designated broker-dealer/custodian are exclusive of, and in addition to, CAG's investment management fee.

Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist CAG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by CAG may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by CAG in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist CAG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist CAG to manage and further develop its business enterprise.

CAG's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by CAG to Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Please Also Note-Conflict of Interest: The recommendation by a CAG representative that a client purchase an insurance commission product from a CAG representative in his/her separate individual capacity as a licensed insurance agent and/or engage a CAG representative to provide tax preparation services his/her separate individual capacity as CPA, presents a conflict of interest, as the receipt of commissions and/or fee income may provide an incentive to recommend products and/or services based on commissions and/or fee to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from a CAG representative, nor to engage a CAG representative for tax preparation services. Clients are reminded that they may purchase insurance products and/or obtain tax preparation services through other, non-affiliated providers. **CAG's Chief Compliance Officer, James S. Hopson, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

From time-to-time Advisor may make an error in submitting a trade order on a Clients behalf. When this occurs, Advisor may place a correcting trade with the broker-dealer which has custody of the Clients account. If an investment gain results from the correcting trade, the gain will remain in the Clients account unless the same error involved other Client

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account(s) that should have received the gain, it is not permissible for Client to retain the gain, or we confer with Client and Client decides to forego the gain (e.g. due to tax reasons). If the gain does not remain in Client's account and Charles Schwab and Co. Inc., ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to a charity of its choosing. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gains (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

CAG is not affiliated with Charles Schwab the Investment Advisors of our firm are not registered representatives of Charles Schwab and do not receive any commissions or fees from recommending these services.

CAG understands its duty to obtain best execution for its Clients and considers all factors in making custodial recommendations to Clients. While CAG may not always obtain the lowest commission rate thru Schwab, CAG believes the rate is reasonable in relation to the value of the brokerage and other services provided.

CLIENT DIRECTED BROKERAGE

CAG recommends that its clients utilize the brokerage and custodial services provided by Schwab. CAG does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and CAG will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by CAG. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs CAG to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through CAG. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

TRADE AGGREGATION

The vast majority of transactions effected by CAG for client accounts are open-end mutual funds. Transactions for each client account generally will be effected independently. To the extent applicable relative to exchange listed equity purchases, CAG may determine to purchase or sell the same securities for several clients at approximately the same time. In such situations, CAG

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may (but is not obligated to) combine or “bunch” such orders when it believes that it might result in obtaining better price execution.

REVIEW OF ACCOUNTS

CAG monitors the individual Client accounts held at Schwab Advisor Services via their website each day the market is open for trading problems, settlement issues, and alerts such as insufficient funds reports or other urgent actions. Each month CAG prepares a summary of all of its Clients aggregated portfolio performance (a global performance report) and performs a high level review of that performance in comparison to its other Clients on a monthly basis. This review is done monthly at a minimum by the Client’s Investment Advisor to look for un-expected significant changes that are not in line with other portfolios.

More detailed Client account reviews are normally performed by the Client’s Investment Advisor Representative prior to rebalancing, after modification of the Clients investment objectives and/or prior to a change in investments, managers or funds. The Chief Compliance Officer and other designated staff may also periodically monitor the portfolios to compare allocations to Investment Policy Statements or Objectives and for other supervisory purposes.

CAG offers its Clients an in-person portfolio review meeting on an annual or as needed basis at the Client or Investment Advisors specific request. In some cases CAG may not need to meet in person with a Client at all unless requested by the Client as most activities can be covered by phone conversations or emails.

Financial plans prepared for Clients are based on a snapshot in time and no ongoing reviews are conducted unless formally requested and agreed to by us. No regular reviews are done because our services are designed to focus on a long-term plan. We recommend that Clients update plans every few years or as financial conditions warrant, but CAG will only do so under the terms of a new Agreement. We recommend Clients engage us on an annual or bi-annual basis to update or create a financial plan if they are concerned about not achieving their objectives or goals or want to assess how they are currently doing from a financial perspective.

All Clients receive standard brokerage account statements from custodians and brokerage firms. Clients also receive detailed written monthly and quarterly portfolio performance reports from CAG that show how the accounts are allocated and individual investment performance as well as other pertinent financial information.

CLIENT REFERRALS & OTHER COMPENSATION

CAG does not compensate for Client referrals or accept other compensation in lieu of the fees it charges. CAG does not use any Solicitor’s to assist it with business development.

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If CAG were to use solicitors it would require all solicitor's and solicitors' agreements to be in compliance with the applicable laws and regulations when and if used. In addition, all applicable federal and state laws will also be observed in any referral situation. All Clients would be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to entering into an agreement.

CAG receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Brokerage Practices).

CUSTODY OF FUNDS

CAG does not take custody of Client's assets, but will recommend a suitable custodian to Client. For the service provided in initiating the account(s), transacting trades, wiring funds and/or other administrative functions, and maintaining custody of Client's assets, the custodian may charge certain fees. In cases where the custodian, usually Schwab, charges a transaction fee, such fee may be lower than Schwab's published retail fee.

Clients will receive account statements normally on a monthly basis but must receive statements at least quarterly from the broker-dealer or other qualified custodian such as Charles Schwab or Nationwide Advisory Services. Client should notify CAG if they do not receive a custodial statement within 30 days of opening an account. Client is urged to compare all custodial account statements against statements prepared by CAG for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for all purposes.

The account information provided by CAG as been compiled solely by Capital Advisory Group, Inc., has not been independently verified, and does not reflect the impact of taxes on non-qualified accounts. In preparing this report, Capital Advisory Group, Inc. has relied upon information provided by the account custodian. Please defer to formal tax documents received from the account custodian for cost basis and tax reporting purposes.

Unsupervised/Unmanaged Assets - Capital Advisory Group, Inc. does not maintain any investment monitoring or performance responsibility for assets and/or accounts designated as unmanaged or unsupervised. The client and/or its other investment professionals retain exclusive responsibly for the monitoring and performance of such assets and/or accounts.

In the case of certain fixed annuities or fixed indexed annuities, statements are only issued by the insurance company annually. CAG will include the current account values of the annuities in Client statements as a convenience to the Client for their information as to an

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approximate value only. The statement values will not reflect any surrender charges or other adjustments that might be applicable if the Client wanted to withdraw all or a portion of their funds prior to its maturity.

Insurance statements are not always provided to CAG and therefore it is the responsibility of the Client to forward us any information to be included or updated in their report otherwise the last values provided will be reported. No fees are charged on the values of the accounts by CAG or any related party other than at the time of sale as previously discussed. Client is urged to compare all custodial account statements against statements prepared by CAG for accuracy.

For variable annuities previously owned by Client's CAG has recommended companies such as Nationwide Advisory Services and broker-dealers that charge lower fees that are usually fixed amounts per month for custody of the accounts. These accounts are updated in our portfolio management system on a daily basis by a download from the custodian and fees are calculated on the ending monthly balances per our fee schedule. Client is urged to compare all custodial account statements against statements prepared by CAG for accuracy.

INVESTMENT MANAGEMENT DISCRETION

In most cases CAG maintains full discretion under a limited power of attorney prepared by the Custodian of the Client's account and signed by the Client as to the type of securities and amount of securities to be purchased on behalf of the Client. Clients may impose restrictions on CAG to limit its discretionary authority in their Investment Policy Statement or Statement of Investment Objectives. CAG and its Investment Advisor Representatives make decisions on purchases for Clients based on a review and comparison of Clients accounts with their written Investment Policy Statement or Statement of Investment Objectives and CAG's current investment models, investment managers, mutual funds, individual securities or ETFs. Unless the client advises, in writing, to the contrary, we will assume that there are no restrictions on our services, other than to manage the account in accordance with their designated investment objective.

CAG does not have authority to withdraw funds or to take custody of Client funds or securities, other than under the terms of the Fee Payment Authorization clause in the custodial account agreement with the Client or a Standing Letter of Authorization with the custodian to transfer money between Clients similarly registered accounts. CAG may be authorized under a Standing Letter of Authorization with the custodian to transfer funds to or from the Client's other custodial accounts or bank accounts which may be revoked at the Client's or CAG's discretion.

VOTING OF CLIENT SECURITIES CAG'S PROXY VOTING POLICY

It is the policy of CAG, not to vote proxies on behalf of its individual or corporate Clients, but it does recommend the Client vote their own proxies. Clients will receive proxy

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solicitation materials directly from the companies they own shares in or from their Custodian usually Schwab. **If authorized and at the Client's request in writing**, CAG does vote proxies for all accounts subject to the ERISA requirements. To that end, CAG will attempt to vote in a way that it believes, consistent with its fiduciary duty, a Client would, if the Client had the same information, professional knowledge and experience as CAG with the primary objective being to minimize risk and increase the return on the Client's investment in the security. CAG will provide assistance to Clients on an individual basis at their request to determine the most appropriate vote that is in their best interest as a shareholder.

A complete copy of CAG's Proxy Voting Policy is available to any Client upon request.

FINANCIAL INFORMATION

An investment advisor must provide financial information to regulatory authorities if; a certain threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, a bankruptcy within the past ten years.

According to the above mentioned rules CAG is not currently required to provide financial information or any other financial disclosure items in this section and is not required to report any financial information to the SEC (unless specifically requested) or to Clients.

REQUIREMENTS FOR STATE REGISTERED INVESTMENT ADVISORS

Under the current rules CAG is currently required to be registered as an Investment Advisor with the Securities and Exchange Commission. Due to changes in these rules during 2011 and ongoing legislation changes, CAG may ultimately be required to register with and be supervised the State Securities Board of Texas if its Assets under Management fall below certain levels.

CYBERSECURITY POLICY INFORMATION

CAG has developed and implemented a Cybersecurity Policy and Cybersecurity procedures to protect its Client's data as well as its own data and electronic assets and to help insure its ability to detect and identify threats to those assets.

A Cybersecurity Policy is a formal set of rules by which those people who are given access to company technology and information assets must abide.

A Cybersecurity Policy serves several purposes. The main purpose is to inform company users: employees, contractors and other authorized users of their obligatory requirements for protecting the technology and information assets of the company. The Cybersecurity Policy describes the

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technology and information assets that we must protect and identifies many of the threats to those assets.

The Cybersecurity Policy also describes the employee or other user's responsibilities and privileges. What is considered acceptable use? What are the rules regarding Internet access? The policy answers these questions, describes user limitations and informs users there will be penalties for violation of the policy. This document also contains procedures for responding to incidents that threaten the security of the company computer systems and network.

Capital Advisory Group, Inc. (CAG) understands the need for security. To ensure security, we have partnered with an external "Vendor" to create a private infrastructure tailored specifically for CAG. Through the Vendor we have been assigned a unique private access service, private set of virtual servers, storage volumes and a private network.

The Vendor has implemented several security layers. The connection to our private environment is accomplished through either a Virtual Private Network (VPN) or MPLS private circuit and/or a secure connection (Transport Layer Security (TLS) /Secure Socket Layer (SSL)). The vendor establishes a secure connection by encrypting the communications between CAG's end devices and their private environment. Encryption protects against the risk of unauthorized transmission interception on the link between the Cloud and CAG. By default, the connections are encrypted at (128-bit) encryption algorithm.

CAG connects to the Vendors infrastructure through an encrypted SSL connection. The Vendor's front end infrastructure then controls connection to our private environment through another layer of encryption. Depending on our requirements the Vendor can customize specific access policies that can include access time restrictions.

More information regarding CAG's Cybersecurity policies and procedures are contained in our internal Cybersecurity documents and additional information is available to Clients or Prospective Clients on written request.

CONTINGENCY, DISASTER RECOVERY PLAN AND BUSINESS CONTINUITY PLAN

CAG has developed and implemented a Contingency, Disaster Recovery and Business Continuity Plan ("CDRP"). The purpose of CAG's Contingency, Disaster Recovery and Business Continuity Plan is to provide specific guidelines the firm will follow in the event of a National, State or City Disaster, the failure of any critical business capability or the need to implement a Business Continuity plan in the case of the loss of key personnel.

Goals and Objectives

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The goal of the CDRP is to provide uninterrupted service to our clients or to minimize the downtime should a disaster, system or vendor failure or loss of key personnel occur. The CDRP has been developed to meet the following objectives:

- Provide for immediate, accurate and measured response to emergency situations;
- Minimize the impact upon the safety and well-being of firm personnel;
- Protect against the loss or damage to organizational assets and interruption to key Client service;
- Provide our clients with alternative assistance and services with a minimum of inconvenience.

Risk assessment, disaster prevention, and disaster avoidance are critical components of CAG's contingency planning process. The implementation of this CDRP should help to ensure all data processing systems, data communication facilities, information, data and business functions can be restored in a secure manner. Our goal is to accomplish restoration in the best manner possible in a time frame consistent with legal, regulatory and business requirements while maintaining information integrity and client service.

No CDRP can address every possible situation that could arise. The intent is to have a framework for the Firm and its Clients to move forward as fast and appropriately as possible to protect the interests of all parties involved with the foremost efforts directed toward performing our fiduciary duty to our Clients.

A Copy of our CDRP is available on written request by any Client or prospective Client to any member of our firm.

Any Questions: CAG's Chief Compliance Officer, James S. Hopson, CPA, CFP®, remains available to address any questions regarding this Part 2A.