

Capital Management Group LLC

CMG Choice Wrap-Fee Brochure Dated 1/1/06

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This brochure provides clients with information about Capital Management Group LLC (hereinafter CMG) and the CMG Choice Wrap-Fee Program that should be considered before becoming a client of the CMG Wrap-Fee program. This information has not been approved or verified by any governmental authority.

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I. GENERAL INFORMATION

Capital Management Group LLC (hereinafter "CMG"), offers the following wrap-fee program, where appropriate, to interested prospects and advisory clients. CMG, a corporation organized under Rhode Island law, is a registered investment adviser. CMG maintains its principal office at 33 Custer Street, East Providence, RI 02914. If you have questions regarding the material contained herein, please contact CMG at (401) 338-4147.

II. CMG CHOICE WRAP-FEE PROGRAM DESCRIPTION

CMG is the sponsor of the CMG Choice Wrap-Fee Program (hereinafter the "Program"). A "wrap-fee" program is one that provides the client with advisory and brokerage execution services for one all-inclusive fee. The client is not charged separate fees for the respective components of the total service. CMG and its Investment Advisor Representatives actively solicit advisory clients for the Program. CMG is also responsible for the marketing of the Program.

In the CMG Choice program, Investment Advisor Representatives (hereinafter "IAR") of CMG will continuously manage client portfolios based on the individual needs of the client. At the time of clients' initial investments in the program, the IAR will assist the client in determining the client's current financial situation, financial goals and attitudes towards risk. This determination will allow the IAR to review the client's situation, and determine an appropriate asset allocation.

Once an appropriate asset allocation is determined with a client, the IAR will manage client accounts on a non-discretionary basis. Managed client assets may consist of no-load and load-waived mutual funds, individual stocks, and bonds in client accounts. IAR's will make recommendations with respect to changes to a client's account based on market, economic and political circumstances, and the individual characteristics of securities. Changes to client portfolios will not be implemented without the consent of the client.

By recommending the Choice Program to clients, CMG is recommending the services of Fidelity Brokerage Services, LLC, a NASD member broker dealer. Clients who decide to participate in the Program are also choosing the brokerage services of Fidelity. Through Fidelity, CMG receives benefits that it would not receive if it did not offer investment advice.

Pursuant to contractual authority from the client, CMG will execute all securities transactions in client accounts without separate commission costs. Participation in the CMG Program requires the appointment of Fidelity Brokerage Services, LLC as broker. Fidelity's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should consider whether or not the appointment of Fidelity as the sole broker may or may not result in certain costs or disadvantages to the client as a possible result of less favorable executions.

CMG may trade with other broker/dealers in order to achieve best execution, obtain a wider variety of issues or take advantage of favorable mark-ups or mark-downs available elsewhere.

No agency cross transactions or principal transactions by CMG may be effected in Program accounts.

The client should consider that, depending upon the level of the wrap-fee charged by CMG, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if CMG were to negotiate commissions and seek best price and execution of transactions for the client's account.

CMG will ensure that the client has reasonable access to the CMG professionals managing the client's account.

IAR's will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows an IAR to execute equity trades in a more timely, equitable manner and to reduce overall commission charges to clients. No personal trades will ever be included in any client blocks. Because client accounts are separately managed by each representative of CMG, however, IAR's will only block their own clients' transactions together. An IAR's clients' transactions are not blocked with transactions by other IAR's. In addition, there is generally no benefit to blocking mutual fund transactions.

Proxy Policy: As a matter of firm policy, CMG does not vote proxies for Program client accounts.

III. INVESTMENT STRATEGIES AND SECURITIES ANALYSIS

CMG provides portfolio management services, where appropriate, to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. CMG will create a portfolio consisting of one or more of the following: individual equities (with the exception of foreign issuers), corporate debt securities, CDs, municipal securities, mutual funds, and U.S. Government securities. CMG may also recommend other types of investments, including, but not limited to, options on securities and REITs, where appropriate to the needs of the client. IAR's will allocate the client's assets among various investments taking into consideration the objectives of the client. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

CMG utilizes several data resources in gathering historical information, as well as annual and quarterly reports. Using technical, fundamental, cyclical, and charting analysis, securities are continuously monitored and evaluated relative to market and industry conditions.

CMG may use money market mutual funds to “sweep” unused cash balances until they can be appropriately invested.

CMG may utilize one or more of the following investment strategies in servicing Program participants: long-term and short-term investment strategies, trading (securities sold within 30 days), short sales, and/or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

CMG utilizes a number of sources of financial information in the firm's analysis of securities including financial newspapers and magazines, research materials and reports, corporate rating services, annual reports, prospectuses, SEC filings and company press releases. Research services are received in various forms, which may include written reports, or information obtained on the world wide web.

IV. FEE SCHEDULE

CMG charges an annual “wrap-fee” for participation in the Program. Clients pay an all inclusive wrap fee of 2.75% of assets under management, which includes charges for advisory services, custody, clearing, transaction execution and account reporting. Clients participating in this program also agree to direct brokerage in their Portfolio Management account(s) through Fidelity Brokerage Services, LLC. Therefore, in evaluating such an arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by CMG, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. The client should also consider that, depending upon the level of the wrap fee charged by the broker dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if CMG were free to negotiate commissions and seek best price and execution of transactions for the client's account. CMG may “household” or group together multiple accounts of one client relationship for purposes of calculating the fee.

The wrap-fee does not include certain administrative fees for wire transfers or certificate issues. Securities transactions effected for the client's account may also include mark-ups, mark-downs, or dealer spreads to market makers or other principals from whom securities were obtained by Fidelity. These mark-ups, mark-downs, or dealer spreads will be retained by the market maker or other principal and will not be credited or reimbursed to the client's account.

Negotiability of Fees and Account Minimums: In certain circumstances, all of CMG's fees may be negotiable.

Fee Calculation: The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter "IA Act").

Fee Payment: Clients will be charged in arrears at the end of each month based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter.

Termination of Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Mutual Fund Fees and Expenses: All fees paid to CMG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of CMG. In that case, the client would not receive the services provided by CMG which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by CMG to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

V. ADDITIONAL INFORMATION ABOUT FEES AND SERVICES

In considering the investment programs described in this brochure, a prospective client should be aware that the Program may cost a client more or less than purchasing the actual services separately from other advisers or broker-dealers.

In addition, the amount of compensation received by CMG and its representatives as a result of the client's participation in the Program may be more than what CMG and its representatives would receive if the client paid separately for investment advice, brokerage and other services. Therefore, CMG and its representatives may have a financial incentive to recommend the Program over other advisory programs or services.

The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity and the amount of advisory fees only for managing the client portfolio.

Advisory fees may vary among CMG's clients based upon a number of factors, including the size of the client's account, the types of investments, the nature of related services provided, and the length of the advisory relationship with a client, among other things. CMG may "household" or group together multiple accounts of one client relationship for purposes of calculating the fee.

Clients should understand that similar advisory services may be available from other registered investment advisers for lower fees.

VI. CONFLICTS OF INTEREST

CMG or individuals associated with CMG may buy or sell securities identical to or different than those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of CMG that no person employed by CMG may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, CMG has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) An officer, member or employee of CMG shall not buy or sell securities for his or her personal portfolio(s) where such decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of CMG shall prefer his or her own interest to that of the advisory client.
- 2) CMG maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Jeffrey Pereira, Managing Member of CMG, and/or an appropriate officer/individual of CMG.
- 3) CMG requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to termination.

CMG may aggregate trades for itself or for its associated person with client trades, providing that the following conditions are met:

- 1) CMG's policies for the aggregation of transactions shall be fully disclosed in this Form ADV and separately to CMG's existing clients (if any) and the broker-dealer(s)

through which such transactions will be placed;

- 2) CMG will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of CMG's investment advisory agreement with each client for which trades are being aggregated;
- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all CMG's transactions in a given security on a given business day. Under the client's agreement with the custodian/broker, transaction costs will be based on the number of shares traded for each client;
- 4) CMG will prepare, before entering an aggregated order, a written statement ('Allocation Statement') specifying the participating client accounts and how it intends to allocate the order among those clients;
- 5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.
- 6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by CMG's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- 7) CMG's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- 8) Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement;
- 9) CMG will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- 10) Individual advice and treatment will be accorded to each advisory client.

Certain fund transaction fees may apply within the Program, which, as applicable, will be deducted from the compensation paid to client's IAR.

VII. EDUCATION AND BUSINESS STANDARDS

CMG requires that investment adviser representatives maintain general standards of education and business experience, especially related to investments. Investment adviser representatives must also satisfy state-by-state qualification requirements within the states in which the representatives have places of business. Portfolio managers are selected based on experience with respect to an individual client's financial objectives and circumstances.

VIII. OFFICERS OF CMG

JEFFREY BRIAN PEREIRA

BORN: 1977

EDUCATION:

Attended Rhode Island College from 09/95 to 05/96.
Graduated from Bryant College in 2000 with a Bachelor of Finance.

EMPLOYMENT HISTORY:

Owner, Capital Management Group from 12/05 to Present.
Financial Advisor, Morgan Stanley from 09/00 to 08/05.

EXAMINATIONS AND PROFESSIONAL DESIGNATIONS:

NASAA Series 66, Uniform Combined State Law Examination, 2001.
NASD Series 7, General Securities Representative Examination, 2001.

ERIC FRANCIS FOSTER

BORN: 1964

EDUCATION:

Graduated from New England Institute of Technology in 1986 with a Bachelor of Engineering.

EMPLOYMENT HISTORY:

President, Capital Management Group from 09/05 to Present.
Sole Proprietor, Capital Management Group from 01/00 to 12/05.

EXAMINATIONS AND PROFESSIONAL DESIGNATIONS:

NFA Series 3, National Commodity Futures Exam, 1998.
If we file for registration BEFORE Eric is licensed, we'll have to leave this off for now (until Eric is licensed) – the same goes for all reference to Eric taking part in advisory activities.

IX. OTHER BUSINESS ACTIVITIES

Eric Foster, in his individual capacity, is a general partner of two limited liability companies: Boston Financial LLC and Boston Marketing and Consulting Group LLC. Boston Financial LLC provides 504(B) and 506(K) services for pink sheet and over-the-counter companies. Boston Marketing and Consulting provides investor relations and public relations services for small companies.

Jeffrey Pereira, in his individual capacity, is a general partner of JKJ Funding LLC, an LLC formed for real estate investment purposes. Mr. Pereira does not provide advisory services to this LLC and no CMG clients are solicited to invest in this entity.

These individuals may spend as much as 50% of their time with these outside activities.

Mr. Foster, President of CMG, is also a CTA in his individual capacity.

X. REVIEW OF ACCOUNTS AND CLIENT REPORTS

REVIEWS: While the underlying securities within Portfolio Management Services accounts are continuously monitored, these accounts are reviewed at least monthly by Jeffrey Pereira of CMG. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker dealer, CMG will provide quarterly reports summarizing account performance, balances and holdings.

XII. ADDITIONAL COMPENSATION AND BENEFITS

As part of the advisory programs in which CMG participates to provide client services, CMG receives support and services from program sponsors. The support and services provided include trading and account reporting software (including technical support), and research analysis such as model portfolios and recommended asset allocation. These services are for the benefit of all clients participating in the programs.

CMG utilizes the services of the Fidelity Registered Investment Advisor Group ('FRIAG') program sponsored by Fidelity Brokerage Services LLC ('Fidelity'). While there is no direct linkage (except in certain circumstances) between the investment advice given to clients and CMG's participation in the FRIAG program, economic benefits are received by CMG which would not be received if CMG did not give investment advice to clients.

These benefits include: A dedicated trading desk that services FRIAG participants exclusively, a dedicated service group and an account services manager dedicated to CMG's accounts, access

to a real-time order matching system, ability to 'block' client trades, electronic download of trades, balances and positions, access, for a fee, to an electronic interface with FRIAG's software, duplicate and batched client statements, confirmations and yearend summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), a quarterly newsletter, access to Fidelity mutual funds, access to AdvisorChannel.com (internet access to statements, confirmations and transfer of asset status), access to over 350 mutual fund families and 4,500 mutual funds NOT affiliated with Fidelity, of which over 2,000 have no transaction fee, ability to have loads waived for CMG's clients who invest in certain Fidelity loaded funds, when certain conditions are met and maintained and the ability to have custody fees waived (when negotiated by the adviser and allowed under certain circumstances).