

Introduction

Capstone Financial Advisors, Inc. ("Capstone") is registered with the Securities and Exchange Commission (SEC) as a Registered Investment Adviser ("RIA"). As an RIA, our services and fees differ from those of a broker-dealer, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at www.investor.gov/CRS. This site also provides educational materials about investment advisers, broker-dealers, and investing.

What investment services and advice can you provide me?

Financial Planning: Our approach to financial planning is based on the six-step process developed by the CFP® Board of Standards. Planning services are individualized to client needs. Strategies generally address wealth accumulation, wealth preservation, wealth distribution and wealth transfer. Specific planning areas include income tax, cash flow and budgeting, insurance, estate, retirement and investments. To provide these services, we rely on information provided by clients through in-depth personal interviews, addressing each client's current financial status, future goals as well as attitudes towards risk.

Investment Management: We provide investment management services to clients based on the individual needs of each client. Client accounts are managed on both a discretionary basis and nondiscretionary basis. When we provide investment management services on a discretionary basis, you provide us with the authority to transact investments in your accounts on your behalf in a manner consistent with your investment objectives without consent prior to execution. We do not use proprietary investment products and we do not limit the types of investment products that we use. Some accounts are managed by third party independent registered investment advisers, known as sub-advisers. In this case, Capstone has conducted due diligence on these sub-advisers.

Tax Preparation: We offer tax preparation services to clients. Tax return types include individual income tax, trust and estate income tax, partnership income tax, corporate income tax and gift tax.

Pension Consulting: Capstone provides pension consulting services to some clients. Our pension consulting services include the selection of investment vehicles, monitoring investment performance, investment policy statement preparation and employee communications.

For additional information, please see Items 4 and 7 of our Form ADV, 2A Brochure (Part 2A) available at:

<https://adviserinfo.sec.gov/firm/summary/109341>

Conversation Starters. Ask your financial professional...

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

What fees will I pay?

Financial Planning: Capstone charges clients a fixed quarterly retainer or hourly rates for financial planning services. Fixed fee, retainer engagements range from \$6,000 to \$100,000 depending on complexity and hourly rates vary between \$150 and \$300. The minimum fee for financial planning is \$6,000 and fees are negotiable.

Investment Management: Capstone's investment management fee is based on tiered schedules that vary between 0.50% and 1.00% assessed against the amount of managed assets. Fees are paid in advance at the beginning of each calendar quarter based upon the value of the client's account. Capstone normally requires a minimum account size of \$1,000,000; however, the minimum account size and the management fees are negotiable.

Tax Preparation: Capstone charges fees for tax preparation based on either a separately negotiated fixed fee or hourly arrangement. Fixed fee amounts are generally determined based on the complexity of the tax return. Estimated fees for tax preparation are provided to clients in advance of services performed.

Pension Consulting: Capstone charges clients based on an annual percentage of plan assets, an hourly fee or fixed fee for pension consulting services. If clients are charged based on an annual percentage, the fees range from 0.10% to 1.00% of plan assets. Hourly fees range from \$150 to \$300 per hour and fixed fees may be quoted based on an estimate of hours for services requested. A minimum fee of \$5,000 is required for these services.

All of our services are provided on a fee-only basis.

It is important to understand that the more assets held in a retail client's account, the more the client will pay in fees. We therefore have an incentive to encourage a client to increase the assets in his/her account. Some fee arrangements create conflicts of interest described in more detail in our Form ADV, Part 2A. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

For additional information, please see Item 5 of our Form ADV, 2A Brochure (Part 2A) available at:

<https://adviserinfo.sec.gov/firm/summary/109341>

Conversation Starter. Ask your financial professional...

- Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we must act in your best interest and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are two examples to help you understand what this means:

- We may recommend a custodial relationship with a custodian from whom we receive support services and/or products which assist us to better monitor and service your account
- We may recommend rollovers out of employer-sponsored retirement plans and into Individual Retirement Accounts that we manage for an investment management fee, which could have the effect of increasing our compensation
- As mentioned above, the more assets the client has in his/her account, the more we receive in fees. We therefore have an incentive to encourage a client to increase the assets in his/her account.
- In addition, our minimum account size is negotiable under certain circumstances and at our discretion. Should we agree to waive this minimum account size, we would receive less compensation for services provided. We, therefore, have a disincentive to waive this minimum.

Conversation Starter. Ask your financial professional...

- How might your conflicts of interest affect me, and how will you address them?

For additional information, please see our Form ADV, 2A Brochure (Part 2A) available at:

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How do your financial professionals make money?

Our financial professionals are compensated through a combination of salary and bonus. Bonuses are discretionary and are based on a number of factors, including the firm's overall profitability and the professional's job performance, as well as measures of new client revenue. This is a conflict of interest because it creates an incentive for our financial professionals to recommend our investment advisory services to you and to increase account assets held by us. Our financial professionals receive no product sales commissions or other forms of compensation.

Do your financial professionals have legal or disciplinary history?

Neither our firm nor our financial professionals have any legal or disciplinary history. Visit www.investor.gov/CRS for a free and simple search tool to research us and our financial professionals.

Conversation Starter. Ask your financial professional...

- As a financial professional, do you have any disciplinary history? If so, for what type of conduct?

Additional Information

If you would like additional information or a copy of this disclosure or our Form ADV, Part 2A, please call (630) 241-0833.

Conversation Starter. Ask your financial professional...

- Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?