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Form ADV, Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Bay Mutual Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (866) 823-8222 or bpernell@baymutual.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Bay Mutual Financial, LLC or any person associated with Bay Mutual Financial, LLC has achieved a certain level of skill or training.

Additional information about Bay Mutual Financial, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes since the previous version of this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

This brochure is a new document prepared according to the SEC's new requirements and rules. Therefore, this document is materially different in structure and requires certain new information that our previous brochure did not require. In the future, this item will discuss only specific material changes that we make to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Bay Mutual Financial, LLC ("BMF") reviews and updates our brochure at least annually to make sure that it is still current.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Bay Mutual Financial, LLC (“BMF,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Santa Monica, CA. BMF is registered as an investment adviser with the U.S. Securities and Exchange Commission. BMF also conducts business under the names The Plan Advisors, The Retirement Laboratory, and Fiduciary Fortress.

Martin William Pernoll and Martin Lester Pernoll founded BMF in 2004.

Advisory Services Offered

BMF offers the following services:

Retirement Plan Services

BMF provides continuous and regular investment supervisory services on a non-discretionary basis. W. Pernoll - Senior Managing Director, Martin L. Pernoll - Managing Director, and Christopher B. Ariola - Managing Director work with plan trustees, fiduciaries, administrators, service providers, and/or other individuals authorized to make decisions in employer retirement plans (collectively, “clients”) and have the ongoing responsibility to recommend allocation models and mutual fund choices to be made available to plan participants, based upon the stated objectives of the plan. BMF also offers educational resources to participants of the plans we manage.

We describe the material risks for mutual funds under the heading ***Specific Security Risks*** in ***Item 8*** below. We discuss our non-discretionary authority below under ***Item 16 - Investment Discretion***. We describe the Fees charged for Retirement Plan Services below under ***Item 5 - Fees and Compensation***.

Limitations on Investments

In some circumstances, BMF’s advice may be limited to certain types of securities.

Limitation by Plan Sponsor/Employer

In the event BMF is managing assets within a retirement plan such as 401(k), 403(b), ORP or other employer plan, BMF is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan’s investment options. Therefore, BMF can only make recommendations to the client from among the available options, and will not recommend or invest the client’s account in other securities, even if there may be better options elsewhere.

Limitation by Type of Security

BMF exclusively recommends mutual funds in the plans we manage. We do not recommend individual equities or fixed income securities.

Mutual Fund Limitations

BMF limits recommendations of mutual funds to no load funds or funds sold at net asset value (NAV).

Limitation by Custodian

There may also be limitations on the mutual funds that we recommend. For clients with accounts held at certain custodians, BMF is limited to the mutual funds available through the custodian.

Tailored Services and Client Imposed Restrictions

BMF manages plan assets based on the investment strategy the client chooses, as discussed below under **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**. We customize each plan according to the plan's stated objectives and restrictions. We do not offer the ability for individual plan participants to impose individual restrictions on accounts.

Wrap Fee Programs

BMF does not manage accounts as part of a wrap or bundled fee program.

Assets Under Management

BMF manages client assets in non-discretionary accounts on a continuous and regular basis. As of 02/15/2011, the total amount of assets under our management was \$3,953,363,302.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule

BMF charges advisory fees for retirement plan services based on a percentage of total plan assets under management. Annual fees generally range from 0.05% to 0.25%. Fees for cash/money market balances may be as low as 0.01%. Fees may be negotiable based on a number of factors. Some accounts may be under different fee arrangements honoring prior agreements.

Fixed Fees

BMF may also offer retirement plan services to clients for a fixed fee. See **Account Requirements** in **Item 7**, below for our requirements pertaining to fixed fee charges.

Billing Method

BMF's advisory fees are payable in arrears based on the total plan assets under management on the last day of the billing period. Billing periods may be monthly, quarterly, or semi-annually. The first payment is due after the first billing period under management. The formula used for the calculation is as follows: $(\text{Annual Rate}) \times (\text{Total Plan Assets Under Management at Period-End}) / (\text{Number of Billing Periods in Calendar Year})$. We generally invoice clients with fixed fee arrangements quarterly or semi-annually, based on the terms of the client's agreement. The invoice is payable upon receipt and will include the fee calculation and amount due.

For new accounts and terminations, the number of days remaining in the billing period is the number of calendar days following the date a new Letter of Agreement is signed or the date BMF receives a termination notification. With client authorization, the account custodian will calculate BMF's advisory fee based on the rate stated in the Letter of Agreement and automatically withdraw the fee from the client's account. All clients will receive statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

Other Fees and Expenses

BMF's fees do not include custodian fees. Clients are responsible for all custodial charges incurred in connection with plan transactions, including retirement plan and administration fees, and "per participant charges, according to the terms of the separate agreement between the plan and the custodian. These charges are in addition to the fees client pays to BMF.

See **Item 12 - Brokerage Practices** below for more information.

In addition, mutual fund shares in some plans may be subject to 12b-1 fees and other fund-related expenses. Further, BMF may participate in 12b-1 fees through our broker-dealer. (See **Item 10 - Other Financial Industry Activities and Affiliations**, below, for more information about BMF's dual registration as a broker-dealer.) Generally, plans with larger balances and/or low participant turnover are able to purchase institutional fund shares that are exempt from 12b-1 fees. Each fund's prospectus fully describes that fund's fees and expenses. All fees paid to BMF for retirement plan services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

Clients should note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

Termination

Either party may terminate the Letter of Agreement at any time by providing written notice to the other party. The client may terminate the agreement at anytime by writing BMF at our office. Upon termination of the agreement, the plan custodian will automatically deduct any earned, unpaid advisory fees. Fixed fee clients will receive a pro-rated invoice showing the advisory fees due for services rendered and not yet paid.

Other Compensation

BMF does not accept compensation for the purchase and sale of securities in retirement plan accounts (e.g., brokerage commissions). However, as described in this item above under **Other Fees and Expenses**, our broker-dealer may receive a portion of 12b-1 fees charged by the mutual fund company, unless the funds selected are exempt from 12b-1 fees.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

BMF does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

ITEM 7 - TYPES OF CLIENTS

BMF offers non-discretionary investment advisory services to pension and profit sharing plans. We also offer educational resources to participants of the plans we manage, which we include as part of our advisory services.

Account Requirements

BMF does not impose account size limits on the plans we manage. However, we do require that plans under fixed fee arrangements maintain a minimum account size of \$50,000,000. BMF may reduce or waive the account minimum requirements at our discretion.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

General Investment Strategies

BMF works to implement or update each plan's Investment Policy Statement ("IPS"). The IPS is a document that outlines the policies and procedures that BMF will follow on behalf of the plan. It generally addresses topics that typically include asset allocation models, frequency and type of monitoring and reporting, criteria for investment selection, overall investment strategy, and any special considerations the client chooses to place on the management of the account. BMF also plays a role in developing or updating the plan's investment committee charter, and fiduciary benchmarking and reporting. When appropriate, we may also outsource our legal counsel to perform a legal review of all relevant plan documents to ensure that the plan complies with applicable regulations.

BMF initially meets with plan trustees and provides a Request for Proposal (RFP), which may include several written reports depending on the plan needs. After defining client needs, BMF develops individualized allocation models and selection of funds available to plan participants. We then monitor the results and make adjustments as needed. As the initial assumptions change, we may need to modify the available plan options over time. Continuous portfolio management is important in an effort to keep the plan options consistent with the IPS.

Methods of Analysis for Selecting Securities

BMF may use fundamental, cyclical, charting, and/or technical analysis as well as specific strategies or resources in the selection of funds.

Fundamental Analysis

BMF uses fundamental analysis in the selection of mutual funds, including the analysis of fund managers, annual reports, and any competitive advantages. Additionally, in analyzing and selecting mutual funds, BMF uses public and private research sources, fund reporting, and fund conference calls. BMF reviews key characteristics such as historical performance, consistency of returns, risk level, size of fund, etc. Expense ratio and other costs are also significant factors in fund selection.

Cyclical Analysis

BMF may utilize cyclical analysis that involves analysis of business cycles to find favorable conditions for selecting funds.

Charting Analysis

Charting analysis involves the use of patterns in performance charts. BMF uses this charting technique to search for patterns in an effort to predict favorable conditions for recommending funds.

Technical Analysis

The effectiveness of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities recommended by BMF. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Mutual Funds

In analyzing mutual funds, BMF may use various sources of information including data provided by Morningstar, Ibbotson Associates, Lipper, MPI Stylus, PlanTools, and numerous fund companies. We review key characteristics such as historical performance, consistency of returns, risk level, and size of fund. Our research generally includes analysis of performance and fee differences in shares of mutual funds and of fees for individual investors relative to those for institutional investors. We also have used behavioral finance and other scientific methods to understand drivers of choice and investment fees. We also evaluate the funds for inclusion or removal from retirement plans.

Specific Investment Strategies for Managing Portfolios

BMF may use Modern Portfolio Theory, the Fama/French Three-Factor Model, tactical asset allocation, cash as a strategic asset, long-term holding, and dollar-cost-averaging strategies in the construction and management of plans.

Modern Portfolio Theory & Fama/French

BMF follows the investment principles of Modern Portfolio Theory (MPT) and the Fama/French Three-Factor Model to construct portfolios. MPT has a basic concept of using diversification in an effort to help optimize the risk and potential return of a portfolio. Further, the methodology of Fama/French is to implement the latest academic research into clients' portfolios. BMF uses the Fama/French Three-Factor Model and mean-variance analysis, among other methods, when analyzing mutual funds to set the parameters of the asset classes.

Tactical Asset Allocation

BMF may use tactical asset allocation strategies in making plan assets available to meet participant's goals, including funds that hold non-traditional asset classes. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of funds that hold various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors.

Cash as a Strategic Asset

BMF may use cash as a strategic asset and may recommend that participants allocate assets to cash or cash equivalents during certain market conditions. BMF makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

Long-term Holding

BMF develops allocation models and fund selections with primarily a long-term hold outlook for plan participants.

Dollar-Cost-Averaging

Dollar cost averaging involves investing money each month or quarter, to take advantage of price fluctuations in the attempt to get a lower average cost per share. We design the plans we manage with the assumption that regular employee and/or employer contributions will generally remain active.

Concentrated Portfolios

BMF does not recommend that participants invest in a very limited number of securities. Clients should consider the fact that the risk of a very concentrated portfolio with limited diversification increases the possibility of substantial losses and depreciation of the portfolio in following a significant event or events. Funds or sectors that do not perform as expected and deteriorating economic or market circumstances domestically and/or internationally can be contributing factors.

General Risk of Loss Statement

Prior to entering into an agreement with BMF, the client should carefully consider:

1. That investing in securities involves risk of loss which plan participants should be prepared to bear;
2. That securities markets experience varying degrees of volatility; and
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.

Specific Security Risks

General Risks of Owning Securities

The prices of funds held in plans and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds, conditions affecting the general economy, and overall market

changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

Professionally Managed

Mutual funds are professionally managed by investment adviser who research, select, and monitor the performance of the securities the fund purchases.

Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Funds

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

Growth Funds

Growth funds focus on stocks that may or may not pay a regular dividend but have the potential for large capital gains. These funds favor companies expected to grow earnings, which could result in stock prices rising faster than the economy, and may be smaller and less seasoned companies. The smaller and less seasoned companies that may be in a growth fund have a greater risk of price volatility. Growth stocks, which can be priced on future expectations rather than current results, may decline substantially when expectations are not met or general market conditions weaken.

Equity Income Funds

Equity income funds stress current income over growth, and may invest in stocks that pay regular dividends. These funds are subject to dividend payout risk, which is the possibility that a number of the companies in which the fund invests will reduce or eliminate the dividend on the securities held by the fund.

Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds

Funds that invest in companies with mid-range market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

International Funds

International investments are subject to additional risks, including currency fluctuation, political instability, and potential illiquid markets.

Emerging Market Funds

Funds that invest in foreign securities of smaller, less-developed countries involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk. For example, products of companies that technology funds invest in may be subject to severe competition and rapid obsolescence.

REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

TIPS Funds

Treasury Inflation Protected Securities (TIPS) are inflation-indexed securities structured to remove inflation risk.

Absolute Return Funds

This measure looks at the appreciation or depreciation (expressed as a percentage) that a fund achieves over a given period. Absolute return differs from relative return because it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark. In general, a mutual fund seeks to produce returns that are better than its peers, its fund category, and/or the market as a whole. This type of fund management is referred to as a relative return approach to fund investing. As an investment vehicle, an absolute return fund seeks to make positive returns by employing investment management techniques that differ from traditional funds, such as short selling, futures, options, derivatives, arbitrage, leverage, and unconventional assets.

Satellite Funds

Satellite investing is a method of portfolio construction designed to minimize costs, tax liability, and volatility while providing an opportunity to outperform the broad stock market as a whole. The core of the portfolio consists of passive funds that track major market indexes, such as the Standard and Poor's 500, the Russell 3000, the Lehman Aggregate Bond, and JPMorgan Government Bond Indexes. Additional positions, known as satellites, are added to the portfolio in the form of actively managed investments.

Alternative Investment Funds

Alternative investments fall outside the three traditional asset types (stocks, bonds, and cash). Alternative investments include hedge funds, managed futures, real estate, commodities and derivatives contracts. Alternative investments funds are favored mainly because their returns have a low correlation with those of standard asset classes. Because of this, many large institutional funds such as pensions and private endowments have begun to allocate a small portion of their portfolios to alternative investments such as hedge funds.

Managed Futures Funds

A Managed Futures Mutual Fund invests in other funds. These underlying funds will typically employ various actively managed futures strategies that will trade various derivative instruments including options, futures, forwards, or spot contracts. Further, each of these derivative instruments may be tied to commodities, financial indices and instruments, foreign currencies, or equity indices.

Managed futures strategies involve substantial risks that differ from traditional mutual funds. Each underlying fund is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities, commodities and other derivatives. The strategy of investing in underlying funds could affect the timing, amount, and character of distributions to you and therefore may increase the amount of taxes you pay.

Each underlying fund is subject to investment advisory and other expenses, including potential performance fees, which the Managed Futures Fund indirectly pays. Your cost of investing in a Managed Futures Fund will be higher than the cost of investing directly in underlying funds and may be higher than other mutual funds that invest directly in stocks and bonds. You will indirectly bear fees and expenses charged by the underlying funds in addition to the Managed Futures Fund's direct fees and expenses. Each underlying fund will operate independently and pay management and performance based fees to each manager. There could be periods in which one or more underlying fund managers receive fees even though the fund has a loss for the period.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends

in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

Investing Outside the U.S.

Funds that invest outside the United States may involve additional risks of foreign investing. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Investments in developing countries can further heighten the risks described above. Although there is no universally accepted definition, BMF generally considers a developing country as a country that is in the earlier stages of its industrialization cycle with a low per capita gross domestic product ("GDP") and a low market capitalization to GDP ratio relative to those in the United States and the European Union. Historically, the markets of developing countries have been more volatile than the markets of developed countries.

Cash and Cash Equivalents

The account may hold cash or invest in cash equivalents. Cash equivalents include:

1. commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes;
3. savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less; and
5. corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

ITEM 9 - DISCIPLINARY INFORMATION

BMF and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. BMF does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Dual Registration as Broker-Dealer

Introducing Broker-Dealer

BMF is also registered as a full service broker-dealer with the U.S. Securities and Exchange Commission and is a Financial Industry Regulatory Authority (“FINRA”) member. BMF spends approximately 20% of our time on providing brokerage services to clients. As a full service broker-dealer, BMF sells a variety of products and services to our brokerage clients. In addition, a number of our personnel will be performing various advisory services in addition to their brokerage services. Persons affiliated with BMF, including BMF advisory personnel who are also registered through our broker-dealer do not receive transaction-based commissions for trades executed in the plans we manage. However, as described in **Other Fees and Expenses** and **Other Compensation** in **Item 5** above, these individuals and our broker-dealer may participate in 12b-1 fees, when applicable.

Dual Registration as Insurance Agency

BMF is also licensed as a life insurance agency in California under insurance license number 0E63414. Associated Persons of BMF may be licensed as insurance agents of BMF. BMF and our agents may sell insurance products to advisory clients and receive commissions on the sale of insurance products. The insurance commissions are separate from and in addition to any advisory fees that a client may pay to BMF for investment advisory services. Clients are under no obligation to act upon any recommendations of the Associated Persons or effect any transactions through the Associated Persons if they decide to follow the recommendations.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

BMF believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. BMF’s personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

BMF’s Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. BMF’s personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. BMF prohibits all personnel from acting upon any material, non-public information, as

defined under federal securities laws and our Code of Ethics insider trading policy. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

BMF will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

BMF and our personnel may invest in securities that we also recommend to clients. Securities transactions on behalf of clients consist of mutual funds, which do not trade but are issued and redeemed once daily at the fund's net asset value ("NAV"). Therefore, we believe that personal transactions in mutual funds do not present a conflict of interest to our clients. The Code of Ethics includes additional restrictions for our personnel in the rare event that we make non-mutual fund purchases or sales in our personal accounts.

Participation or Interest in Client Transactions

The participation in 12b-1 fees represents a situation where a conflict of interest may exist between the participants of a plan and BMF and our personnel. BMF may have incentive to recommend funds that pay 12b-1 fees to plans that are not required to offer only 12b-1 exempt funds to participants. As part of our fiduciary duty to clients, BMF conducts substantial due diligence on the funds we recommend. Further, recommendations to plans of mutual funds that charge 12b-1 fees will only be made when the cost of the fees has been measured against all other reasonable criteria and in our view remains suitable to the plan.

For more information on 12b-1 fees, see ***Other Fees and Expenses*** in ***Item 5***, above.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

BMF requires that the assets of the plans we manage be held by an independent broker-dealer/custodian of the client's choice. For clients in need of brokerage/custodial services, we generally provide a request for proposal (RFP) that includes our analysis of broker-dealer/custodians that we have vetted using specific client-driven criteria. When applicable, we recommend one or more broker-dealer/custodians in the RFP. These may include Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealer(s), Member SIPC, and/or other qualified providers.

Clients are under no obligation to effect trades or custody assets through any broker-dealer/custodian we recommend and are free to select a broker-dealer/custodian of their choosing. The client will enter into a separate agreement with the broker-dealer/custodian to custody plan assets. BMF is independently owned and operated, and unaffiliated with any broker-dealer/custodian.

Research and Other Soft Dollar Benefits

BMF does not have specific soft dollar arrangements with any broker-dealer/custodian or other provider in exchange for our recommendations of their products or services. However, broker-dealer/custodians and other plan providers make available to us, products and services that are generally unavailable to retail investors. Further, these products and services may benefit BMF but may not directly benefit the plans we manage. These types of services may help us in managing and administering plans. These benefits may include:

1. Software and other technology that provide access to client account data (i.e. trade confirmations and account statements);
2. Research, pricing information, and other market data;
3. Facilitation in the payment of our fees from clients' accounts; and
4. Assistance with back-office functions.

Many of these services may be used to service all or a substantial number of our accounts. We do not place trades for our clients' accounts. However, clients' use of the broker-dealers we recommend may result in costs and execution quality that is different from other broker-dealers. The broker-dealer/custodians and other plan providers we recommend may also provide other benefits such as educational events, conferences on practice management, regulatory compliance, and information technology at a discount or free of charge, where they would otherwise charge for some of these services.

As part of our fiduciary duty to clients, BMF endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by BMF or our personnel in and of itself creates a potential conflict of interest and may indirectly influence BMF's recommendation of certain providers for custody and brokerage services.

Brokerage for Client Referrals

BMF does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

Directed Brokerage

BMF provides asset allocation and fund selection services to retirement plans and participants. We do not effect (or have the ability to direct brokerage) for participants' transactions in the plans we manage.

Aggregation and Allocation of Transactions

BMF only provides advisory services to retirement plans and does not effect (or aggregate) individual client transactions.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

We monitor allocations and fund performance in plans on a continuous basis and generally review all plans with clients at least quarterly. Martin W. Pernoll - Senior Managing Director, Martin L. Pernoll - Managing Director, and Christopher B. Ariola - Managing Director conduct all reviews based on a variety of factors. These factors may include but are not limited to stated plan objectives, economic environment, outlook for the securities markets, and the merits of the funds in the accounts.

In addition, we may conduct a special review of an account based one or more of the following:

1. A change in the plan's investment objectives/guidelines;
2. Changes in allocation models; or
3. Material cash deposits or withdrawals.

Account Reporting

Each plan receives custodial reporting according to the separate agreements between plans and the custodians they use. In addition, BMF provides written reports detailing investment fund performance in plans on a quarterly basis. Our reports may include some or all of the following categories:

Executive Summary

This provides a quick view of how each fund in the plan is performing and identifies any funds requiring attention based on the criteria chosen on the Fiduciary Investment Reporting Manager (FiRM) Plan Entry Form.

Portfolio Style Report

This Provides a graphic view of the plan portfolio's coverage across the universe of equity and fixed income investment styles.

Performance Summary

This provides standard performance information for each fund included in the report.

Fund Criteria Report

This provides comparisons of each fund, its peer average, and benchmark against the specific monitoring criteria selected.

Fund Fact Report

This provides a one-page snapshot of additional information for each fund in the plan. (Included in ongoing investment monitoring reporting only)

BMF may also provide additional reporting as agreed upon by BMF and the client on a case-by-case basis.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

BMF does not refer outside third-party professionals to our clients. We also do not provide any compensation to individuals or firms that may refer our services to prospective clients.

ITEM 15 - CUSTODY

BMF does not take custody of client funds or securities in any way.

ITEM 16 - INVESTMENT DISCRETION

BMF does not accept discretionary authority over client accounts. We make recommendations to plan trustee(s) regarding asset allocation models and selection of funds to offer plan participants, and it is up to the plan trustee(s) to approve our recommendations. The plan participants and trustees are responsible for placing trades in accounts. BMF does not conduct any trading of securities in client accounts.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting in ERISA Plans

BMF does not accept or have the authority to vote client securities. An authorized plan fiduciary other than BMF will retain proxy voting authority. Our Letter of Agreement and/or the plan's written documents will evidence and outline this authority. BMF will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

BMF does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any information available to us pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. BMF does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Form ADV, Part 2B Brochure Supplement

Bay Mutual Financial, LLC

**Martin W. “Bud” Pernoll
Christopher B. Ariola**

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Martin L. Pernoll

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March 31, 2011

This brochure supplement provides information about Martin W. “Bud” Pernoll, Christopher B. Ariola, and Martin L. Pernoll that supplements the Bay Mutual Financial, LLC brochure. You should have already received a copy of that brochure. Please contact Martin W. “Bud” Pernoll if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about Martin W. “Bud” Pernoll, Christopher B. Ariola, and Martin L. Pernoll is available on the SEC’s website at www.adviserinfo.sec.gov.

Martin W. “Bud” Pernoll

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Martin W. “Bud” Pernoll, Chief Executive Officer, Senior Managing Director, and Chief Compliance Officer, b. 1967

Education:

- BA, Southern Methodist University, 1989
- Executive Education Certificate, University of Pennsylvania, Wharton Business School, 2001

Business Background:

- Chief Executive Officer, Senior Managing Director, Bay Mutual Financial LLC, 09/2004 to present
- Chief Compliance Officer, Bay Mutual Financial LLC, 01/2011 to present

ITEM 3 - DISCIPLINARY INFORMATION

Martin W. “Bud” Pernoll has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Martin W. “Bud” Pernoll also serves as executor and trustee for a friend’s estate, and as an instructor for The Retirement University (TRAU) at UCLA Anderson School for Executive Education (approximately 1 hour/month)

ITEM 5 - ADDITIONAL COMPENSATION

In addition to compensation comes from his regular salary and ownership of BMF, Martin W. “Bud” Pernoll also earns trustee fees as compensation for his service as executor and trustee for a friend’s estate. He does not receive compensation for instruction at The Retirement University (TRAU) at UCLA Anderson School for Executive Education.

ITEM 6 - SUPERVISION

Martin W. “Bud” Pernoll is the Chief Executive Officer, Senior Managing Director, and Chief Compliance Officer of BMF and supervises all employees. He can be reached by calling (866) 823-8222.

Christopher Ariola

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Christopher B. Ariola, Managing Director, b. 1968

Education:

BS, San Diego State University, 1990

Business Background:

Managing Director, Bay Mutual Financial LLC, 09/2004 to present

ITEM 3 - DISCIPLINARY INFORMATION

Christopher B. Ariola has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

Christopher B. Ariola's only business is providing investment advice through BMF.

ITEM 5 - ADDITIONAL COMPENSATION

Christopher B. Ariola's only compensation comes from his regular salary at BMF.

ITEM 6 - SUPERVISION

Martin W. "Bud" Pernoll, Chief Executive Officer, Senior Managing Director, and Chief Compliance Officer, is responsible for supervising Christopher B. Ariola's activities. Martin W. "Bud" Pernoll monitors the advice provided by Christopher B. Ariola for consistency with client objectives and BMF's policies. In addition, Martin W. "Bud" Pernoll reviews reports prepared by Christopher B. Ariola before we send them to clients. Martin W. "Bud" Pernoll can be reached by calling (866) 823-8222.

Martin L. Pernoll

ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Martin L. Pernoll, Managing Director, b. 1968

Education:

- BS, University of Oregon Graduate, 1962
- MD, University of Texas, Galveston, 1967

Business Background:

- Managing Director, Bay Mutual Financial LLC, 09/2004 to present

ITEM 3 - DISCIPLINARY INFORMATION

Martin L. Pernoll has no disciplinary history to disclose.

ITEM 4 - OTHER BUSINESS ACTIVITIES

In addition to Martin L. Pernoll's business of providing investment advice through BMF, he also serves in the following non-investment related capacities:

- Lake County Meat Processors LLC, CEO & Member since 06/1996 (approximately 1 hour/month)
- Pernoll Ranch LLC, CEO since 03/1983 (approximately 20 hours/month)
- SLS LLC, CEO & Member since 11/2004 (approximately 1 hour/month)
- American Agricultural Properties, Inc., President since 04/2006 (approximately 1 hour/month)

ITEM 5 - ADDITIONAL COMPENSATION

In addition to compensation comes from his regular salary and ownership at BMF, Martin L. Pernoll earns compensation relating to his roles described in **Item 5 – Additional Compensation**, above.

ITEM 6 - SUPERVISION

Martin W. "Bud" Pernoll, Chief Executive Officer, Senior Managing Director, and Chief Compliance Officer, is responsible for supervising Martin L. Pernoll's activities. Martin W. "Bud" Pernoll monitors any advice provided by Martin L. Pernoll for consistency with client objectives and BMF's policies. In addition, Martin W. "Bud" Pernoll reviews reports prepared by Martin L. Pernoll before we send them to clients. Martin W. "Bud" Pernoll can be reached by calling (866) 823-8222.