

# **Mutual Advisors, LLC**

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## **Form ADV, Part 2A Appendix 1 Wrap Fee Program Brochure**

March 28, 2014

This wrap fee program brochure provides information about the qualifications and business practices of Mutual Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 307-234-1200 or [adv@mutualadv.com](mailto:adv@mutualadv.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 or use of the terms “registered investment adviser” or “registered,” does not imply we have achieved a certain level of skill or training.

Additional information about Mutual Advisors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 167658.

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes since the last annual update to this wrap fee program brochure. If you are receiving this wrap fee program brochure for the first time, this section may not be relevant to you.

Mutual Advisors, LLC (“Mutual Advisors”) was formed in 2013 as a business combination between Investment & Retirement Solutions LLC and Mutual Securities, Inc. as a result of the owners of Mutual Securities, Inc. acquiring indirect ownership and control of the firm.

Mutual Advisors reviews and updates our brochure at least annually to make sure that it remains current. In the future, this item will discuss only specific material changes that we made to the brochure and provide you with a summary of such changes. Future summaries will also reference the date of the last annual update of this brochure.

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## ITEM 4 - SERVICES, FEES AND COMPENSATION

### Description of Advisory Firm

Mutual Advisors, LLC (“Mutual Advisors,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Casper, Wyoming.

Mutual Advisors is registered as an investment adviser with the U.S. Securities and Exchange Commission. Mutual Advisors was formed in 2013 as a business combination between Investment & Retirement Solutions LLC and Mutual Securities, Inc. The firm’s principal owners are the Voss Wyoming Trust and the Sabol Wyoming Trust..

### Wrap Fee Program

We manage clients’ assets on a non-discretionary, all inclusive fee basis, through our Asset Advantage Service Program (“Wrap Fee Program”). Mutual Advisors must secure client permission prior to effecting securities transactions for the client. We emphasize continuous and regular account supervision. Clients may engage our firm to design an investment portfolio and provide ongoing corresponding non-discretionary investment management services on a fee-only basis. Investment decisions for clients are based on information the client supplies about their financial situation, goals, and risk tolerance. Once the appropriate portfolio has been determined, we review the portfolio at least semi-annually.

Investment advisory accounts will be established with our related broker-dealer Mutual Securities, Inc. (“MSI”) clearing through National Financial Services, LLC, (“NFS”), a Fidelity Investments company, an unaffiliated service provider. Factors that our firm considers in utilizing MSI (or any other broker-dealer/custodian) to clients include its respective financial strength, reputation, execution, pricing, reporting, research, and service. Prior to us providing investment management services, client will be required to enter into a formal investment advisory agreement with our firm setting forth the terms and conditions under which we shall manage client’s assets, and a separate custodial/clearing agreement with MSI. Our fees are negotiable; the client may negotiate a lower set fee with their Investment Advisory Representative. The set fee will be outlined in the agreement. Lower fees for comparable services may be available from other sources.

### Fees & Billing Method for the Wrap Fee Program

We charge a minimum annual fee of \$1,000 (not to exceed the relevant fee rate listed below) per year unless we decide not to impose the minimum fee. We make this determination on a case-by-case basis. A minimum account balance of \$50,000 is required to enter into our Wrap Fee Program. Related family accounts may be combined to reach this minimum, per the terms of the Asset Advantage agreement.

<u>Account Asset Level</u>	<u>Equity Rate*</u>	<u>Mutual Fund/Variable Annuity/Fixed Income Cash/ Money Market Fund Rate*</u>
From \$0-\$99,999.99	2.25%	1.00%
Next \$150,000	2.25%	1.00%
Next \$250,000	1.75%	1.00%
Next \$250,000	1.25%	1.00%
Next \$250,000	1.25%	0.75%
Next \$1,000,000	0.90%	0.75%
Next \$1,000,000	0.85%	0.50%

Next \$2,000,000	0.85%	0.50%
Next \$5,000,000	0.50%	0.50%
Over \$10,000,000	0.30%	0.50%

\* For non-discretionary managed investment accounts, advisory fees are billed in advance on a quarterly basis. Fees are based on the net asset value of the account as of the last day of the previous three-month calendar quarter period. For accounts that start during a quarter, advisory fees are prorated for the partial quarter and billed after the end of that quarterly period. If a client contributes or withdraws capital during a quarter, after the end of that quarter, prorated fees will be billed based on each net asset contribution or credited for each net asset withdrawal.

With client authorization, Mutual Advisors will instruct the custodian to automatically withdraw our advisory fee from the client's account. The client may request that the fees be deducted from another account of the client, subject to Mutual Advisors' written consent. Typically, we authorize the custodian to withdraw our advisory fee from the client's account during the first month of each quarter. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

#### ***Short Market Positions:***

With the exception of writing covered calls based on an existing stock position held in the account, all Wrap Fee Program fees will apply to short market positions in eligible assets, as defined in our investment management agreement, at the annual fee rate for the asset category of the short position.

#### ***Securities Purchased on Margin:***

Wrap Fee Program fees will be based on the fair market value of the client's eligible assets, as defined in our investment management agreement, including any eligible assets purchased on margin. The value of Eligible Assets will not be reduced by the amount of any margin indebtedness or increased by the amount of any credits. Interest on any margin debt incurred by you is in addition to the Wrap Fee Program fee.

#### ***Other Fees and Expenses***

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

You may pay custodial fees, brokerage account closing fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Clients will also pay miscellaneous/postage & handling (confirm fees). These fees are not included within the wrap-fee you are charged by our firm.

Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both Mutual Advisors and the mutual fund manager for the management of their assets. A client could invest in a mutual fund directly, without using our services. In that case, the client would not receive the services we provide, which include assisting the client in determining which mutual fund or funds we feel 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 advisory fees we charge to understand the total amount of fees the client will pay and evaluate the advisory services we provide accordingly.

### **Termination of Agreement**

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close your account and process a pro-rata refund of unearned advisory fees.

### **Other Compensation**

Our Investment Advisory Representatives ("IARs") receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as the IAR's compensation received from our firm. In cases where our IARs are paid a percentage of your overall advisory fee, this is a conflict of interest, as it creates an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded. Mutual Advisors reviews accounts at least semi-annually to confirm that it is still appropriate for them to be participating in the wrap program.

MSI receives distribution or service ("trail") fees for mutual funds purchased and held in wrap accounts; however, the IARs do not receive any portion of those fees.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

We require a minimum account balance of \$50,000 for our Wrap Fee Program. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm. We generally combine related family accounts to meet the account size minimum, per the terms of the Asset Advantage agreement. We may reduce or waive the account minimum requirements at our discretion.

Mutual Advisors generally provides our Wrap Fee Program to individuals, high net worth individuals, pension and profit sharing plans, corporations, limited liability companies and other types of businesses.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Management and Performance Calculation**

Our firm does not utilize outside portfolio managers for our Wrap Fee Program. All accounts are managed by our Investment Advisory Representatives. We review the performance figures provided in client's monthly or quarterly statements from MSI.

## **Wrap Fee Programs**

We do not provide portfolio management services to any other wrap fee programs. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, and risk tolerance. We only offer this type of investment management service through our Wrap Fee Program.

## **Disclosure of Conflict of Interest**

Our firm and Investment Advisory Representatives ("IARs") manage accounts in our Wrap Fee Program on a non-discretionary basis. This creates a conflict of interest as Investment Advisory Representatives have an incentive to recommend that you participate in our Wrap Fee Program rather than opening a brokerage account (where you would pay for trade execution costs instead of the IARs paying for the transaction costs). Mutual Advisors only offers the services outlined in this Wrap Fee Program brochure to wrap fee clients. Clients should be aware that other investment advisory firms may charge the same or lower fees than our firm for similar services.

## **Tailored Services and Client Imposed Restrictions**

Services are tailored to the specific needs of each client. Clients must provide us with permission prior to securities transactions being effected in a client's portfolio. We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In rare instances we allow clients to place restrictions in their wrap account.

### ***Limitation by Custodian***

There may also be limitations on the mutual funds that we recommend. Our firm has an arrangement with National Financial Services LLC ("NFS") registered broker-dealer. Mutual Advisors is limited to the mutual funds available through NFS.

## **Performance-Based Fees and Side-by-Side Management**

We do 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.

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

The Investment Advisory Representatives may use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities. Investment Advisory Representatives select categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Investment Advisory Representatives seek to select individual securities with characteristics that are most consistent with the client's objectives. Since Mutual Advisors treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities.

We individualize each client's portfolio and address topics that typically include the client's financial situation, goals, and risk tolerance. Accounts within the Wrap Fee Program are managed on a non-discretionary basis so it is likely that clients who buy or sell the same security on the same day will receive different prices.

### ***Concentrated Portfolios***

Mutual Advisors may manage some client accounts by investing in a very limited number of securities. Clients should consider that the risk of a very concentrated portfolio with limited diversification increases the possibility of substantial losses in the account. Additional risks include depreciation of the portfolio caused by outside events/factors, underperformance of the concentrated stock or sector, and/or deteriorating economic or market circumstances domestically and/or internationally.

### ***Leverage***

We may use leverage in an effort to increase portfolio returns, typically using call options on common stocks or stock indexes, employing leveraged ETFs, and/or through margin borrowing. The amount of leverage employed and the precise techniques used are determined based on each client's risk tolerance and overall financial situation, as well as current and anticipated future market conditions. While the use of leverage can increase returns, it can also magnify losses. Clients may specifically request that Mutual Advisors limit or avoid the use of some or all types of leverage in their accounts.

The above investment techniques may involve the use of derivative securities, including options, in an effort to increase portfolio return. Securities are considered derivatives when their value is determined by or derived from the performance of an underlying asset or index. A client's account would lose the premium and transaction costs related to the purchase of an unexercised option that expires worthless.

The price movements of derivatives may be more volatile than the price movements of other securities, and therefore may result in more than ordinary investment risk. Many of these investments may not enjoy as much liquidity as other securities, although Mutual Advisors seeks to invest in liquid derivative contracts to the extent possible and consistent with our investment strategy.

The use of the strategies discussed above may increase the recognition (for income tax purposes) of gains and losses and increase other expenses (such as brokerage charges) compared to accounts that do not use these techniques.

### ***Margin***

Some clients of Mutual Advisors maintain margin accounts. Accordingly, we may use margin transactions to implement investment advice given to these clients. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of using margin include "margin calls" (also called "fed calls" or "maintenance calls"). Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account. While the use of margin borrowing can increase returns, it can also magnify losses. Clients may specifically request that Mutual Advisors limit or avoid the use of margin transactions in their accounts.

## **Investing Involves Risk**

### **General Risks of Owning Securities**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

## **Investing Outside the U.S.**

Although we generally limit foreign investments to mutual funds and ETFs that hold foreign securities, the risks of foreign investing still apply to the underlying portfolios of funds. Investing 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 to greater risk. 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.

## **Specific Security Risks**

### **Mutual funds**

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).

Mutual funds have benefits including professional management, diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:

**Costs Despite Negative Returns** - Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. 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 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.

### **Exchange-Traded Funds (ETFs)**

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like

stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### **Equity Securities**

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) may fluctuate based on events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors. Further, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to value accurately or dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### **Closed-end Fund**

Closed-end funds do not continually offer their shares for sale. Rather, they sell a fixed number of shares at an initial offering, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. Risk factors pertaining to closed-end funds vary from fund to fund.

Closed-end funds are generally subject to the same risks that we describe under open-end mutual funds above. In addition, they may be subject to the following:

#### **Valuation Risk**

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, and could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

### **Warrants and Rights**

Warrants may be issued together with bonds or preferred stocks. Warrants generally entitle the holder to buy a proportionate amount of common stock at a specified price, usually higher than the current market price. Warrants may carry an expiration date or exist in perpetuity. Rights are similar to warrants except that they normally entitle the holder to purchase common stock at a lower price than the current market price.

### **Debt Securities (Bonds)**

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

#### **Reinvestment Risk**

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

#### **Inflation Risk**

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

#### **Interest Rate and Market Risk**

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

#### **Call Risk**

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

#### **Credit Risk**

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

#### **Liquidity and Valuation Risk**

There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

#### **Certificates of Deposit (CDs)**

We may recommend the purchase of certificates of deposit (CDs) when clients are searching for relatively low-risk investments. A CD is a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account. CDs have set maturity dates and, like other deposits held at FDIC member institutions, feature federal deposit insurance up to \$250,000.

#### **Municipal Bonds**

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should

compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### **Legislative Risk**

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### **Tax-Bracket Changes**

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

#### **Liquidity Risk**

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

#### **Credit Risk**

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

### **Pass-through Securities**

We may invest client's accounts in various debt obligations backed by pools of mortgages or other assets including, but not limited to, loans on single-family residences, home equity loans, mortgages on commercial buildings, credit card receivables and leases on airplanes or other equipment. Principal and interest payments made on the underlying asset pools backing these obligations typically pass through to investors, net of any fees paid to any insurer or any guarantor of the securities. Pass-through securities may have either fixed or adjustable coupons. These securities include:

#### ***Mortgage-Backed Securities***

U.S. government agencies and government-sponsored entities, such as Ginnie Mae, Fannie Mae, and Freddie Mac, and private entities issue mortgage-backed securities. The payment of interest and principal on mortgage-backed obligations issued by U.S. government agencies may be guaranteed by the full faith and credit of the U.S. government (in the case of Ginnie Mae), or may be guaranteed by the issuer (in the case of Fannie Mae and Freddie Mac). However, these guarantees do not apply to the market prices and yields of these securities, which vary with changes in interest rates.

Private entities that issue mortgage-backed securities structure them similarly to those issued by U.S. government agencies. However, government agencies do not guarantee the mortgage-backed securities or the underlying mortgages issued by private entities. The structure of these securities generally includes one or more types of credit enhancements such as insurance or letters of credit issued by private companies. Mortgage-backed securities generally permit borrowers to prepay their underlying mortgages. Prepayments can alter the effective maturity of these instruments.

### ***American Depositary Receipts (ADR)***

An ADR is a security that trades on U.S. exchanges but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Some banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings.

Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### **Cash and Cash Equivalents**

We generally invest client's cash balances in proprietary money market funds-Pinnacle Shares of Money Market Port and Pinnacle Shares of U.S. Treasury Port, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable.

### **Voting Client Securities**

#### **Proxy Voting**

We do not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. We 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.

#### **Class Actions**

Mutual Advisors 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 transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Generally, Investment Advisory Representatives collect information from clients about their investment goals and objectives. Clients are encouraged to contact their Investment Advisory Representative directly whenever this information changes. Mutual Advisors will also communicate information to your Investment Advisory Representative when you ask us to or when market or economic conditions make it prudent to do so.

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

We have no restrictions on clients' ability to contact and consult with Mutual Advisors and our Investment Advisory Representatives.

## **ITEM 9 - ADDITIONAL INFORMATION**

### **Disciplinary Information**

Mutual Advisors and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our business or the integrity of our management. We do not have any required disclosures to this Item.

### **Other Financial Industry Activities and Affiliations**

Mutual Advisors has a related firm, Mutual Securities, Inc. ("MSI"), which is actively engaged in the business of being a registered securities broker-dealer, member FINRA/SIPC. A majority of our firm's Investment Advisory Representatives are dually licensed registered representatives MSI. In their separate roles as registered representatives, they may offer commissionable securities products to clients for which they will earn the normal commissions.

Clients in our Wrap Fee Program may also have separate brokerage accounts with our related broker-dealer. In such cases a client may be solicited by their respective representative about investment ideas or products for their brokerage account if such solicitations are in line with the client's overall investment objectives and risk tolerance.

A conflict of interest arises as these commissionable securities sales create an incentive to recommend products based on the compensation the adviser and/or our supervised persons may earn. When recommending commissionable products to clients, we have a duty to only recommend products that are suitable for the client.

Some of our firm's representatives are separately licensed as insurance agents/brokers with various companies. In this role, they may offer commissionable insurance products to our firm's clients for which they may receive compensation.

A conflict of interest arises as these commissionable insurance product sales create an incentive to recommend products based on the compensation the adviser and/or our supervised persons may earn. When recommending commissionable products to clients, we have a duty to only recommend products that are suitable for the client.

### **Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **Code of Ethics**

Mutual Advisors 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. Mutual Advisors has adopted a Code of Ethics that emphasizes the high standards of conduct that

Mutual Advisors seeks to observe. Mutual Advisors' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Mutual Advisors' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Mutual Advisors' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for 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).

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

### **Personal Trading Practices**

Mutual Advisors and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. Mutual Advisors and our personnel may purchase or sell securities for themselves that we also recommend/utilize for clients. This includes related securities (e.g., warrants, options, or other derivatives). This presents a potential conflict of interest, as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions/recommendations prior to and in preference to accounts of your Mutual Advisors' investment advisor representative ("IAR").
2. Mutual Advisors prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If your Mutual Advisors' IAR wishes to purchase or sell the same security as he/she recommends or takes action to purchase or sell for a client, he/she will not do so until the custodian fills the client's order. As a result of this policy, it is possible that clients may receive a better or worse price than Mutual Advisors' IAR for transactions in the same security on the same day as a client.
4. Mutual Advisors requires our IARs to report personal securities transactions on at least a quarterly basis.
5. Conflicts of interest also may arise when Mutual Advisors' IARs become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Mutual Advisors' IARs are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

Under certain limited circumstances, we make exceptions to the policies stated above. Mutual Advisors will maintain records of these trades, including the reasons for any exceptions.

## **Account Reviews & Reports**

We provide non-discretionary services and generally review positions in client accounts on a semi-annual basis. Investment Advisory Representatives (“IARs”) conduct all client reviews. The nature of these reviews is to learn whether clients’ accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. IARs may review client accounts more frequently than described above. Among the factors that may trigger an off-cycle review are major market or economic events, the client’s life events, or requests by the client. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients.

## **Custody**

Mutual Advisors has limited custody of some of our clients’ funds or securities when the clients authorize us to deduct our management fees directly from the client’s account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients’ funds and securities. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client’s funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from Mutual Advisors as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.

## **Client Referrals and Other Compensation**

### **Support Products and Services**

Mutual Advisors requires clients to establish a brokerage account with our related broker-dealer MSI and custody their assets with the clearing firm National Financial Services LLC (“NFS”), a Fidelity Investments company. NFS is not affiliated with Mutual Advisors. We consider several factors in choosing NFS. These factors may include, but are not limited to, financial strength, reputation, execution, pricing, reporting, research, and service. We may also take into consideration the availability of the products and services NFS provides or offers to us.

Mutual Advisors engages NFS to clear transactions and custody assets. NFS provides Mutual Advisors with services that assist us in managing and administering clients’ accounts which include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients’ accounts; and (v) assist with certain back-office functions, recordkeeping and client reporting.

As part of the arrangement described above, NFS also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by NFS directly from independent research companies, as

selected by our firm (within specific parameters). Research products and services provided by NFS to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by NFS to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed above, we have an incentive to continue to use or expand the use of NFS' services. Our firm examined this conflict of interest when we chose to enter into the relationship with NFS and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

### **Outside Compensation**

We do not pay referral fees (non-commission based) to independent solicitors for the referral of their clients to our Wrap Fee Program.

### **Financial Information**

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