

# Capital Advisors Ltd., LLC

SEC File Number: 801 – 71559

## **ADV Part 2A, Firm Brochure** **Dated: April 8, 2015**

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**This Brochure provides information about the qualifications and business practices of Capital Advisors, Ltd., LLC. If you have any questions about the contents of this Brochure, please contact us at (216) 295-7900 or [mc Ciulla@capitaladvisorsltd.com](mailto:mc Ciulla@capitaladvisorsltd.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.**

**Additional information about Capital Advisors, Ltd., LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Capital Advisors, Ltd., LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## Item 2           Material Changes

There have been no material changes made to Capital Advisors, Ltd., LLC's disclosure statement since last year's annual amendment filing on January 14, 2015. However, certain additions have been made to certain prior disclosures at Items 4 and 5 below, including *Fee Differentials*, *Implementation Services*, and *12b-1 fees*. **ANY QUESTIONS**: Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions regarding any portion of this disclosure statement.

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#### Item 4            Advisory Business

- A. Capital Advisors Ltd., LLC (“Capital Advisors”) is a limited liability company formed on May 14, 1999 in the State of Ohio. Capital Advisors became registered as an Investment Adviser Firm in June 2010. Capital Advisors is principally owned by Mark Ciulla and Neil R. Waxman. Capital Advisors’ Managing Directors are Patrick Hanratty, Mark Ciulla and Neil R. Waxman. Mr. Ciulla and Mr. Waxman are Capital Advisors’ Managing Members.
- B. As discussed below, Capital Advisors offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and business entities, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can engage Capital Advisors to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Capital Advisors’ annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. Prior to engaging Capital Advisors to provide planning or consulting services, clients are required to enter into an *Investment Advisory Agreement* with Capital Advisors setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client. ***Please See Fee Differentials*** below.

Capital Advisors provides investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, Capital Advisors will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). Capital Advisors primarily allocates client investment assets among various mutual funds, with the remainder allocated among exchange traded funds (“ETFs”), on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s).

In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Capital Advisors), Capital Advisors may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Capital Advisors *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging Capital Advisors to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Capital Advisors setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Capital Advisors commencing services.

If requested by the client, Capital Advisors may recommend the services of other professionals for implementation purposes, including Capital Advisors' representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosure below and at Items 5 and 10.C, including **Conflicts of Interest**). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Capital Advisors. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Capital Advisors if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Capital Advisors' previous recommendations and/or services.

#### **MISCELLANEOUS**

**Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by the client, Capital Advisors *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Capital Advisors, nor any of its representatives, serves as an attorney, and no portion of Capital Advisors' services should be construed as same. To the extent requested by a client, Capital Advisors may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of Capital Advisors in their separate individual registered/licensed capacities discussed below at Item 10 as registered representatives of Lincoln Investment Planning and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Capital Advisors and/or its representatives. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by a Capital Advisors representative that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Lincoln Investment Planning and/or as insurance agents, presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from any Firm representative. Clients are reminded that they may purchase securities and insurance products that may be recommended by Firm representatives through other, non-affiliated broker-dealers and/or insurance agencies. **Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Please Note: Fee Differentials.** As discussed above, Capital Advisors shall price its services based upon various objective and subjective factors. As a result, Capital Advisors' clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by Capital Advisors to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS: Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to**

**address any questions that a client or prospective client may have regarding the above fee determination.**

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Capital Advisors **may** maintain cash positions for defensive purposes. Cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating Capital Advisors' advisory fee. **Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Capital Advisors on a non-discretionary investment advisory basis **must be willing to accept** that Capital Advisors cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Capital Advisors would like to make a transaction for a client's account, and the client is unavailable, Capital Advisors will be unable to effect the account transaction (as it would for its discretionary clients) **without first obtaining the client's consent.**

**Trade Error Policy.** Capital Advisors shall reimburse accounts for losses resulting from Capital Advisors' trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Capital Advisors' custodian firm account and Capital Advisors retains the net gains and losses.

**12b-1 Compensation.** Certain mutual funds pay marketing and/or distribution fees to broker-dealers. Although not a material consideration when determining the mutual funds to be utilized to manage a client's portfolio, if a mutual fund that is part of a client's portfolio pays 12b-1 compensation, Lincoln Investment Planning, as a broker-dealer, and Capital Advisors' representatives, in their individual capacities as registered representatives of Lincoln Investment Planning, will also receive ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. The receipt of 12b-1 compensation presents a ***conflict of interest***. The 12b-1 compensation is in addition to Capital Advisors' investment advisory fee. **Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding this conflict of interest.**

**Client Obligations.** In performing its services, Capital Advisors shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Capital Advisors if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Capital Advisors' previous recommendations and/or services.

**Disclosure Statement.** A copy of Capital Advisors' written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

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

- C. Capital Advisors shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Capital Advisors shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Capital Advisors' services.
- D. Capital Advisors does not participate in a wrap fee program.
- E. As of December 31, 2014, Capital Advisors had \$473,032,963 in assets under management on a discretionary basis and \$10,607,441 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage Capital Advisors to provide negotiable discretionary and/or non-discretionary investment advisory services on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Capital Advisors to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, Capital Advisors' annual investment advisory fees shall vary (up to 1.25% of the total assets placed under Capital Advisors' management/advisement) and shall be based upon level and scope of the overall investment advisory services to be rendered, which is based upon **various objective and subjective factors**, including, but not limited to, the amount of the assets placed under Capital Advisors' management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. ***Please See Fee Differentials*** above.

Capital Advisors' annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Capital Advisors), Capital Advisors may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Capital Advisors *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Capital Advisors' planning and consulting fees are negotiable, but generally range from \$5,000 to \$15,000 on a fixed fee basis, and from \$200 to \$400 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Capital Advisors' advisory fees deducted from their custodial account. Both Capital Advisors' *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Capital Advisors' investment advisory fee and to directly remit that management fee to Capital Advisors in compliance with regulatory procedures. In the limited event that Capital Advisors bills the client directly, payment is due upon receipt of Capital Advisors' invoice. Capital Advisors shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Capital Advisors shall generally recommend that Pershing, LLC ("*Pershing*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Pershing* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Capital Advisors' investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all

mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Capital Advisors' annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Capital Advisors does not generally require an annual minimum fee or asset level for investment advisory services. Capital Advisors, in its sole discretion, may reduce its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Capital Advisors and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Capital Advisors shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Capital Advisors' representatives, in their individual capacities, as registered representatives of Lincoln Investment Planning ("*Lincoln Investment*"), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Lincoln Investment*, *Lincoln Investment* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Lincoln Investment* shall pay to Capital Advisors' representatives, as applicable. The brokerage commissions charged by *Lincoln Investment* may be higher or lower than those charged by other broker-dealers. In addition, *Lincoln Investment*, as well as Capital Advisors' representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Capital Advisors' representatives presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Capital Advisors' representatives. **Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Capital Advisors through other, non-affiliated broker dealers or agents.
3. Capital Advisors does not receive more than 25% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Capital Advisors recommends to its clients.
4. When Capital Advisors' representatives sell an investment product on a commission basis, Capital Advisors does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services



on an advisory fee basis, Capital Advisors' representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However**, a client may engage Capital Advisors to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Capital Advisors' representatives on a separate commission basis. **Please** see **12b-1 Compensation** disclosure at Item 4 above.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither Capital Advisors nor any supervised person of Capital Advisors accepts performance-based fees.

## **Item 7            Types of Clients**

Capital Advisors' clients shall generally include individuals, high net worth individuals, business entities, trusts, estates and charitable organizations. Capital Advisors does not generally require an annual minimum fee or asset level for investment advisory services. Capital Advisors, in its sole discretion, may reduce its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

- A. Capital Advisors may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Capital Advisors may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Capital Advisors) will be profitable or equal any specific performance level(s).

- B. Capital Advisors' methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Capital Advisors must have access to current/new market information. Capital Advisors has no control over the dissemination rate of market information; therefore, unbeknownst to Capital Advisors, certain analyses may be compiled with outdated market information, severely limiting the value of Capital Advisors' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Capital Advisors' primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Capital Advisors may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

**Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Capital Advisors in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Capital Advisors may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Capital Advisors. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Capital Advisors shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Capital Advisors is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Capital Advisors, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Capital Advisors primarily allocates client investment assets among various mutual funds, with the remainder allocated among ETFs, on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

Capital Advisors has not been the subject of any disciplinary actions.

## **Item 10          Other Financial Industry Activities and Affiliations**

- A. **Registered Representative of Lincoln Investment.** As disclosed above in Item 5.E, Capital Advisors' representatives are also registered representatives of *Lincoln Investment*, an SEC registered and FINRA member broker-dealer.
- B. Neither Capital Advisors, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** As disclosed above in Item 5.E, Capital Advisors' representatives are registered representatives of *Lincoln Investment*, an SEC Registered and FINRA member broker-dealer. Clients can choose to engage Capital Advisors' representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Capital Advisors' representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Capital Advisors' representatives to purchase insurance products on a commission basis.

**Conflict of Interests:** The recommendation by Capital Advisors' representatives that a client purchase a securities or insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Capital Advisors' representatives. Clients are reminded that they may purchase securities or insurance products recommended by Capital Advisors through other, non-affiliated broker-dealers or insurance agents. **Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. Capital Advisors does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

#### **Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. Capital Advisors maintains an investment policy relative to personal securities transactions. This investment policy is part of Capital Advisors' overall Code of Ethics, which serves to establish a standard of business conduct for all of Capital Advisors' Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Capital Advisors also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Capital Advisors or any person associated with Capital Advisors.

- B. Neither Capital Advisors nor any related person of Capital Advisors recommends, buys, or sells for client accounts, securities in which Capital Advisors or any related person of Capital Advisors has a material financial interest.
- C. Capital Advisors and/or representatives of Capital Advisors *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Capital Advisors and/or representatives of Capital Advisors are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Capital Advisors did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Capital Advisors' clients) and other potentially abusive practices.

Capital Advisors has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Capital Advisors' "Access Persons". Capital Advisors' securities transaction policy requires that an Access Person of Capital Advisors must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Capital Advisors selects; provided, however that at any time that Capital Advisors has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Capital Advisors and/or representatives of Capital Advisors *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Capital Advisors and/or representatives of Capital Advisors are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Capital Advisors has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Capital Advisors' Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Capital Advisors recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Capital Advisors to use a specific broker-dealer/custodian), Capital Advisors generally recommends that investment management accounts be maintained at *Pershing*. Prior to engaging Capital Advisors to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Capital Advisors setting forth the terms and conditions under which Capital Advisors shall manage the client's assets, and a separate custodial/clearing agreement with Pershing..

Factors that Capital Advisors considers in recommending *Pershing* include Capital Advisors' historical relationship with *Lincoln Investment*, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Capital Advisors' clients shall comply with Capital Advisors' duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Capital Advisors determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Capital Advisors will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Capital Advisors' investment management fee. Capital Advisors' best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close. **Please Note:** The transactions fees charged by Pershing could be more than other

broker-dealers/custodians charge for similar accounts and transactions. **ANY QUESTIONS: Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above.**

1. **Research and Additional Benefits**

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

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

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

**Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Capital Advisors does not receive referrals from broker-dealers.
3. Capital Advisors does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Capital Advisors will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Capital Advisors. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Capital Advisors to effect securities transactions for the client's accounts through a specific broker-dealer, the client

correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Capital Advisors. Higher transaction costs adversely impact account performance.

**Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Capital Advisors provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Capital Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Capital Advisors may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Capital Advisors' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Capital Advisors shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom Capital Advisors provides investment supervisory services, account reviews are conducted on an ongoing basis by Capital Advisors' Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Capital Advisors of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Capital Advisors on an annual basis.
- B. Capital Advisors *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Capital Advisors may also provide a written periodic report summarizing account activity and performance.

### **Item 14      Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, Capital Advisors may receive an indirect economic benefit from *Pershing*. Capital Advisors, without cost (and/or at a discount), may receive support services and/or products from *Pershing*.

Capital Advisors' clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding

commitment made by Capital Advisors to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Capital Advisors does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15      Custody**

Capital Advisors shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Capital Advisors may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Capital Advisors provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Capital Advisors with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Capital Advisors' advisory fee calculation.

## **Item 16      Investment Discretion**

The client can determine to engage Capital Advisors to provide investment advisory services on a discretionary basis. Prior to Capital Advisors assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Capital Advisors as the client's attorney and agent in fact, granting Capital Advisors full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Capital Advisors on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Capital Advisors' discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Capital Advisors' use of margin, etc.).



## **Item 17          Voting Client Securities**

- A. Capital Advisors does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Capital Advisors to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. Capital Advisors does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Capital Advisors is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Capital Advisors has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**