

# Capital Advisors Ltd., LLC

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ADV Part 2A, Brochure  
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This Brochure provides information about the qualifications and business practices of Capital Advisors, Ltd., LLC (“Capital Advisors”). If you have any questions about the contents of this Brochure, please contact us at (216) 295-7900 or [mciulla@capitaladvisorsltd.com](mailto:mciulla@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 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 to this Brochure since Capital Advisors Ltd., LLC last updated this Brochure for its annual amendment on March 23, 2018. However, Capital Advisors Ltd., LLC has made certain immaterial revisions to this Brochure, which are described in further detail below.

### **March 19, 2019**

- While not material, Capital Advisors Ltd., LLC enhanced certain disclosures regarding certain limitations of financial planning and portfolio activity, each in Item 4. In addition, Capital Advisors Ltd., LLC also established a relationship with TD Ameritrade that permits it to manage client's accounts through TD Ameritrade.

### **May 20, 2019**

- While not material, Item 15 has been amended to reflect that Capital Advisors Ltd., LLC now subjects accounts with standing letters of authorization permitting Capital Advisors Ltd., LLC to transfer client funds to third parties to a surprise examination by an independent accountant in accordance with Rule 206(4)-2. Previously, Capital Advisors Ltd., LLC relied on guidance issued by the SEC's Division of Investment Management to the Investment Adviser Association that it may exempt these accounts from the surprise examination.

**ANY QUESTIONS:** Capital Advisors Ltd., LLC's Chief Compliance Officer, Mark Ciulla, remains available to address any questions regarding this Brochure.

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#### **Item 4            Advisory Business**

- A. 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 investment advisory services to its clients, 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 or non-discretionary investment advisory 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. To the extent specifically requested and engaged by an individual client, Capital Advisors will generally provide financial planning and consulting services. In the event that the client requires extraordinary planning or consulting services (to be determined in the sole discretion of Capital Advisors), Capital Advisors may determine to charge a client for these additional services under a stand-alone written agreement. For more information, see the sections on Limitations of Financial Planning and Non-Investment Consulting/Implementation Services below).

To begin the investment advisory process, an investment adviser representative will first determine each client's investment objectives and then invest or recommend that the client invest their assets consistent with their investment objectives. Once invested, Capital Advisors provides monitoring and review of account performance and asset allocation as compared to each client's investment objectives, and may rebalance or may recommend that clients rebalance their accounts as necessary based on these reviews.

##### **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 on investment and non-investment related matters, including estate and insurance planning. 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. 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 or licensed insurance agents. See the disclosure below and at Items 5.E. and 10.C. describing the conflicts of interest associated with these activities. Clients are ultimately responsible for determining whether to hire any third parties (e.g., attorneys, accountants, insurance agents), even if they hire a third party at the Registrant's recommendation. These third parties are responsible for all services rendered. In the event of a dispute over a third party service provider's services, clients agree to seek recourse exclusively from the third party. Clients are responsible for promptly notifying Capital Advisors if there is ever any change in their financial situation or investment objectives so that Capital Advisors can review, and if necessary, revise its previous recommendations or services.

## **ERISA PLAN and INDIVIDUAL CLIENT RETIREMENT PLAN ENGAGEMENTS:**

- **Trustee Directed Plans.** Capital Advisors may be engaged to provide investment advisory services to ERISA retirement plans, where Capital Advisors shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Capital Advisors will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 (“ERISA”). Capital Advisors will generally provide services on an “assets under management” fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and Capital Advisors.
- **Client Retirement Plan Assets.** If requested to do so, Capital Advisors shall provide investment advisory services relative to the client’s 401(k) plan assets. In such event, Capital Advisors shall recommend that the client allocate the retirement account assets among the investment options available on the 401(k) platform. Capital Advisors shall be limited to making recommendations regarding the allocation of the assets among the investment alternatives available through the plan. Capital Advisors will not receive any communications from the plan sponsor or custodian, and it remains the client’s exclusive obligation to notify Capital Advisors of any changes in investment alternatives or restrictions for the plan.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent engaged by a client to do so, in writing, Capital Advisors will generally provide financial planning and related consulting services regarding non-investment related matters, such as estate, tax, and insurance planning. Capital Advisors will generally provide consulting services inclusive of its advisory fee set forth at Item 5 below, but may, depending upon the amount of assets under management and/or scope of the services to be provided, determine to charge a fee per the terms and conditions of a separate written agreement. Neither Capital Advisors, nor any of its representatives, serves as an attorney, and no portion of Capital Advisors’ services should be construed as legal advice. To the extent requested by a client, Capital Advisors may recommend the services of certain people to assist with implementing Capital Advisors’ financial planning advice, including representatives of Capital Advisors in their separate capacities as registered representatives of Lincoln Investment and as licensed insurance agents (as discussed below at Items 5.E. and 10.C.). Clients are ultimately responsible for determining whether to hire any third parties (e.g., attorneys, accountants, insurance agents), even if they hire a third party at the Registrant’s recommendation. These third parties are responsible for all services rendered. In the event of a dispute over a third party service provider’s services, clients agree to seek recourse exclusively from the third party. The recommendation by a Capital Advisors representative that a client purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions provides 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 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.

**Financial Planning Consultations.** Regardless of whether or not a client has specifically engaged Capital Advisors to provide financial planning services, all clients are encouraged to contact Capital Advisors if they have any questions regarding financial planning or related consulting issues.

**Services as Investment Adviser Representatives of Lincoln Investment.** Representatives of Capital Advisors are also investment adviser representatives of Lincoln Investment, an SEC registered investment adviser. These representatives can also provide services to clients in their separate individual capacities as investment adviser representatives of Lincoln Investment. In this event, the client will execute an engagement agreement with Lincoln Investment, and receive Lincoln Investment's written disclosure Brochure as set forth on Part 2A of Form ADV. Firm representatives generally provide services on behalf of Lincoln Investment for 401k plan engagements, and to allocate client assets to unaffiliated independent investment managers.

**Cash Positions.** At any time and for a substantial length of time Capital Advisors may hold a significant portion of a client's assets in cash or money market mutual funds. Investments in these assets may cause a client to miss upswings in the markets. Unless Capital Advisors expressly agrees otherwise in writing, account assets consisting of cash and money market mutual funds are included in the value of an account's assets for purposes of calculating its advisory fee. A client can advise Capital Advisors not to maintain (or to limit the amount of) cash holdings in the client's account. Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding cash positions.

**Retirement Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Capital Advisors recommends that a client roll over their retirement plan assets into an account to be managed by Capital Advisors, such a recommendation creates a conflict of interest if Capital Advisors will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Capital Advisors serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to roll over retirement plan assets to an account managed by Capital Advisors. Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**Use of Mutual Funds and ETFs.** While Capital Advisors may recommend or invest client assets in mutual funds and ETFs that are not available directly to the public, Capital Advisors may also recommend or invest client assets in publicly available mutual funds and ETFs that a client could purchase without engaging Capital Advisors as an investment adviser. However, if a client or prospective client determines to invest in publicly available mutual funds or ETFs without engaging Capital Advisors as an investment adviser, the client or prospective client would not receive the benefit of Capital Advisors' initial and ongoing investment advisory services.

**Portfolio Activity.** Capital Advisors reviews accounts periodically and as necessary to determine if any changes are necessary based upon various factors, which may include, but

are not limited to: investment performance, fund manager tenure, style drift, account additions/withdrawals, and changes in the client's investment objectives. Capital Advisors may determine that changes to a client's portfolio are unnecessary. Clients are still subject to the fees described in Item 5 below, even during periods of account inactivity.

**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 the client's consent. For instance, although the firm does not recommend market timing as an investment strategy, in the event of a market correction event where the firm cannot reach the client, a client may suffer investment losses or miss potential investment gains.

**Client Obligations.** In performing its services, Capital Advisors will 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 their responsibility to promptly notify Capital Advisors if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Capital Advisors' previous recommendations and/or services.

**ByAllAccounts.** In conjunction with the services provided by ByAllAccounts, Inc., Capital Advisors may also provide periodic comprehensive reporting services, which can incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by Capital Advisors (the "Excluded Assets"). Capital Advisors' service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because Capital Advisors does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not Capital Advisors, are exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and other advisors that maintain trading authority, and not Capital Advisors, are exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, Capital Advisors will not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Capital Advisors provide investment management services with respect to the Excluded Assets, the client may engage Capital Advisors to do so pursuant to the Investment Advisory Agreement between Capital Advisors and the client.

- C. 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 invest or recommend that the client invest their assets consistent with their investment objectives. The client may impose reasonable restrictions, in writing, on Capital Advisors' services.
- D. Capital Advisors does not participate in a wrap fee program.
- E. As of January 10, 2019, Capital Advisors had \$694,028,138 in assets under management on a discretionary basis and \$7,569,316 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 discretionary or non-discretionary investment advisory services on a fee basis. Capital Advisors fees are generally negotiable and described in greater detail below.

### **INVESTMENT ADVISORY SERVICES**

Capital Advisors' annual investment advisory fees vary (up to 1.25% of the total assets placed under Capital Advisors' management/advisement). Capital Advisors' fees vary depending upon various objective and subjective factors that could include but are not limited to: the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, the scope (if any) of financial planning and consulting services to be provided, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. 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. Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding advisory fees.

Capital Advisors does not generally require an annual minimum fee or asset level for investment advisory services. As referenced on a separate disclosure received by each client from Lincoln Investment, Lincoln Investment assesses a \$100 annual minimum fee for every client account maintained at Pershing that is managed by Capital Advisors. Capital Advisors does not receive any portion of this annual minimum fee. Lincoln Investment does not assess an annual minimum fee for client accounts maintained at TD Ameritrade that are managed by Capital Advisors. Clients should be guided accordingly in determining where to open or maintain their accounts.

To the extent specifically requested and engaged by an individual client, Capital Advisors will generally provide financial planning and consulting services. In the event that the client requires extraordinary planning or consultation services (to be determined in the sole discretion of Capital Advisors), Capital Advisors may determine to charge a client for these additional services pursuant to a stand-alone written agreement, which are described in the following paragraph.

### **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 deducts 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 generally recommends that Pershing, LLC ("Pershing") or TD Ameritrade, Inc. ("TD Ameritrade") serve as the custodian for client investment management assets. Each custodian is also responsible for effecting transactions in accounts maintained with them and charge brokerage commissions and 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 transactions, and mark-ups and mark-downs are charged for fixed income transactions). In addition, client accounts may invest in open-end mutual funds (including money market funds) and ETFs that have various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. These internal fees and expenses are in addition to the fees charged by Capital Advisors. Client assets can be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other available share classes of the fund.
- D. Capital Advisors' annual investment advisory fee is 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 refunds the prorated 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, 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 pays 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 Rule 12b-1 fees directly from the mutual fund company during the period that the client maintains the mutual fund investment. Capital Advisors' representatives do not collect Rule 12b-1 fees on assets held in investment advisory accounts managed by Capital Advisors. Clients remain responsible for determining whether an advisory account or brokerage account is most appropriate for them.
1. The recommendation that a client purchase a commission product from Capital Advisors' representatives presents a conflict of interest, as the receipt of



commissions provides 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. Clients may purchase commission-based securities recommended by Capital Advisors through other, non-affiliated broker dealers or agents.
3. Capital Advisors does not receive more than 15% 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 through Lincoln Investment.
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. When providing services on an advisory fee basis, Capital Advisors' representatives do not also receive commission compensation. However, a client may engage Capital Advisors to provide investment management services on an advisory fee basis and separate from these advisory services purchase an investment product from Capital Advisors' representatives on a commission basis.

## **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 generally include individuals, high net worth individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations.

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

- A. Capital Advisors may use 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 use 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)

As of the date of this Brochure, Capital Advisors clients are not invested in options, although Capital Advisors may recommend the use of options for clients in the future.

**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).

**Margin Transactions.** 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. 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 where the client's decision to employ margin can 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.

**Options Strategies.** 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 will be with the intent of offsetting or "hedging" a potential market risk in a client's portfolio. 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 these strategies. In light of these enhanced risks, client may direct Capital Advisors, in writing, not to employ any or all strategies for their accounts.

For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>.

Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

- C. Currently, Capital Advisors primarily invests client assets using mutual funds, exchange traded funds, individual equities, individual bonds, bond funds, and publically traded real estate investment trusts on a discretionary and non-discretionary basis in accordance with the client's investment objectives.

## **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.** Certain of 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.

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 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 these 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.

- 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 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 or TD Ameritrade. 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 will manage the client’s assets, and a separate custodial/clearing agreement with Pershing or TD Ameritrade.

Factors that Capital Advisors considers in recommending a broker-dealer/custodian include the broker-dealer/custodian’s financial strength, reputation, execution capabilities, pricing, research, and service. Pershing and TD Ameritrade may charge different fees and commissions for providing nearly identical services. Clients remain responsible for determining whether Pershing or TD Ameritrade is most appropriate for their accounts. While Capital Advisors and its representatives may recommend an account custodian for clients, the ultimate decision on where a client opens an account remains with the client.

Although the commissions and/or transaction fees paid by Capital Advisors’ clients will comply with Capital Advisors’ duty to seek 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. The transactions fees charged by Pershing and TD Ameritrade could be more than other broker-dealers/custodians charge for similar accounts and transactions.

The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Capital Advisors. Clients are ultimately responsible for selecting where they maintain their accounts, even if Capital Advisors or its representatives recommend an account custodian. Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding either approved custodian.

1. Non-Soft Dollar Research and Additional Benefits

Capital Advisors can receive from Pershing or TD Ameritrade (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Certain of these products and services assist Capital Advisors to better monitor and service client accounts maintained at these institutions. The support services that Capital Advisors obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Capital Advisors to further its investment management business operations.

Certain of the support services or products received assist Capital Advisors in managing and administering client accounts. Others do not directly provide this 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 or assets maintained at Pershing, TD Ameritrade, or other broker-dealers and custodians because of these arrangements. There is no corresponding commitment made by Capital Advisors to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangements.

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 the conflict of interest this arrangement creates.

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 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.

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 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. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. 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” 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 orders been placed independently. Under this procedure, transactions will be averaged as to price at each custodian and will be allocated among clients at each custodian in proportion to the purchase and sale orders placed for each client account on any given day. Capital Advisors maintains policies and procedures to ensure that accounts held at Pershing and TD Ameritrade are treated equitably as a result of aggregated trading. Capital Advisors will not receive any additional compensation or remuneration because of aggregation.

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

- A. For those clients to whom Capital Advisors provides investment supervisory services, account reviews are conducted by Capital Advisors’ Principals and/or representatives from time to time. 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 can receive discounted or free economic benefits from Pershing and TD Ameritrade including support services and products.
- B. If a client is introduced to Capital Advisors by either an unaffiliated or an affiliated solicitor, Capital Advisors will pay a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. All referral fees are paid solely from Capital Advisors' investment advisory fee. If the client is introduced to Capital Advisors by an unaffiliated solicitor, the solicitor will provide each prospective client with a copy of the current version of this Brochure and a separate written disclosure statement disclosing the terms of the arrangement between Capital Advisors and the solicitor, including the compensation to be paid by Capital Advisors to the solicitor.

## **Item 15          Custody**

Capital Advisors generally has 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.

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. The account custodian does not verify the accuracy of Capital Advisors' advisory fee calculation.

In addition, Capital Advisors engages in other activities that subject it to an annual surprise examination by an independent public accountant in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

Capital Advisors' Chief Compliance Officer, Mark Ciulla, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## **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 will be required to execute an Investment Advisory Agreement, naming Capital Advisors as the client's attorney and agent in fact 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 impose restrictions, in writing, on Capital Advisors' discretionary authority.



## **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 will 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.

Capital Advisors will not be responsible and each client has the right and responsibility to take any actions with respect to legal proceedings, including without limitation, bankruptcies and shareholder litigation

- 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.**