



THE  
**PRESIDIO**  
GROUP

# DISCLOSURE BROCHURE

*Updated March 31, 2014*

## PRESIDIO CAPITAL ADVISORS LLC

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*This brochure provides information about the qualifications and business practices of Presidio Capital Advisors LLC ("Capital Advisors" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at 415-449-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.*

*Additional information about Capital Advisors is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Presidio Capital Advisors is a registered investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.*

*The term "registered investment adviser" and description of Presidio Capital Advisors LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.*

## Item 2: Material Changes

This brochure dated March 31, 2014 has been prepared by the Firm as an amendment to the prior version of its brochure, dated December 20, 2013.

Material changes to the brochure include removing the participation in Fidelity Wealth Advisor Solutions program and addition of the participating in the referral program through Schwab Advisor Network. For more information on the new program, refer to Item 14: Client Referrals and Other Compensation.

Capital Advisors may also charge performance fees in certain programs in offers. This information is disclosed in Item 6: Performance Fees.

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## Item 4: Advisory Business

Presidio Capital Advisors LLC (“Capital Advisors”) is a wholly owned subsidiary of Presidio Financial Partners LLC, also known as The Presidio Group, (“Presidio”), which was founded in 1997. Capital Advisors was registered with the SEC as a Registered Investment Adviser (“RIA”) on March 19, 1998 under the initial name of Presidio Strategies LLC.

Capital Advisors offers investment consulting and supervisory services, including services to assist clients in managing portfolio asset allocation with respect to investments in separate accounts, exchange traded funds, mutual funds, and private funds, including private equity funds and hedge funds; some of which are managed by professional portfolio managers (“Money Managers”). The Firm also offers portfolio performance reporting services.

Capital Advisor’s investment advisory services are tailored to its individual clients based on client consultations conducted by the Firm’s Investment Adviser Representatives (“Investment Consultants”). Investment Consultants are licensed, qualified and/or authorized employees of Capital Advisors who provide investment advisory services to clients. During each client consultation, the Investment Consultant interviews the client, gathers client data and reviews the client’s current financial situation. Typically, an individualized written Investment Policy Statement (“IPS”) is created for a client. The IPS memorializes the client’s investment objectives, risk tolerance and investment implementation plan, including portfolio allocation and Money Manager selections, as well as any investment constraints. Clients may impose restrictions in certain securities or types of securities.

Investment Consultants recommend Money Managers to assist clients in carrying out their investment objectives in addition to making other investment recommendations. Investment recommendations may include, but are not limited to, recommendations to invest in mutual funds, exchange-traded funds (“ETFs”) and private funds. Money Managers selected to manage client assets are given discretionary authority to make investment decisions and may use a variety of methods of analysis, sources of information, and investment strategies. Although Capital Advisors conducts initial and ongoing due diligence in connection with making Money Manager and investment recommendations, clients should carefully review brochures, prospectuses, private placement memoranda and any other offering and/or disclosure documents pertinent to a Money Manager or investment recommendation prior to selecting a Money Manager or investing in a security recommended by the Firm. For additional information regarding the Firm’s methods of analysis for making Money Manager and investment recommendations, please refer to the *Method of Analysis, Investment Strategies and Risk of Loss* section of this brochure. Where Capital Advisors has discretionary authority to make investment decisions for a client account, it may select Money Managers or make investment decisions on behalf of a client as described in the *Method of Analysis, Investment Strategies and Risk of Loss* section and *Investment Discretion* section of this brochure.

Additionally, for certain endowments, foundations and family offices, Capital Advisors may provide investment services under the structure of an Outsourced Investment Office (OIO).

As of December 31, 2013, Capital Advisors managed \$3,640,457,942 in assets on a non-discretionary basis and approximately \$408,940,010 in assets on a discretionary basis.

## Item 5: Fees and Compensation

### *Capital Advisors Fees*

Capital Advisor's standard annualized fee for providing investment advisory services will be charged as a percentage of assets under management and generally is not greater than 1.25%.

This management fee is negotiable and may be modified at Capital Advisor's sole discretion. Fees may also vary depending upon the complexity of the client's investment objectives, implementation plan and the services to be provided. Household accounts of lesser value may be combined to reach the minimum account size, or to obtain a reduced fee by reaching a higher bracket.

Fees are earned in full on the first day of each quarter and are based on the estimated market value of the client's account at the end of the prior quarter (as determined by Capital Advisors in its sole discretion). Fees generally will be billed quarterly in advance and payable directly to the Firm or automatically debited from the client's broker-dealer or custodian account, as determined by the client.

Capital Advisors may also charge a flat fee on a quarterly basis in advance or arrears for providing on-going investment consultation, customized analysis, research and/or reporting for client portfolios. This fee is negotiable and billed as the services are rendered or in arrears. These fees are not based on client assets under management and are for services other than supervisory management of the client's portfolio.

Clients may terminate advisory agreements upon providing 30 days' prior written notice to Capital Advisors. As described above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, the Firm will prorate the reimbursement according to the number of days remaining in the billing period.

Capital Advisors and its employees do not receive commissions for selling securities or other investment products.

### *Mutual Fund and ETF Fees*

All fees paid to Capital Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the Firm's services. In that case, the client would not receive the services provided by the Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate for the client's financial objectives and circumstances. Accordingly, the client should review both the fees charged by the funds and Capital Advisor's fees to fully understand the total amount of fees to be paid by the client, and to evaluate the advisory services being provided.

### ***Money Manager Fees***

Clients will also incur fees charged by Money Managers for client assets managed in separate accounts. These fees vary and are in addition to Capital Advisor's fees. These fees may be payable quarterly or monthly, in advance or arrears, and will automatically be debited from the client's broker-dealer or custodian account. Money Manager fees may be negotiated by Capital Advisors and may differ from the standard fees charged by a Money Manager to its other clients. A client may be eligible to directly open a separate account with a Money Manager, without Capital Advisor's services. In that case, the client would not receive the services provided by the Firm, which are designed, among other things, to assist the client in initially selecting and continuing to assess which Money Managers are the most appropriate for each client's financial objectives and circumstances. Accordingly, the client should review both the standard fees charged by the Money Manager as disclosed in their brochure and the Money Manager fees negotiated through the Firm to fully understand the total amount of fees to be paid by the client, and to evaluate the advisory services being provided.

### ***Private Fund Fees***

Clients who invest in hedge funds, private equity funds and/or other private funds will incur fees that are separate and in addition to Capital Advisor's fees. Managers of these funds may charge carried interest (or a percentage of the fund's profit), management, transaction and/or other fees, and require capital commitments and contributions, which will be payable as described in the fund's subscription agreement, private placement memorandum and/or other offering documents. Clients should review these documents carefully to understand how these fees are calculated and required to be paid.

### ***Custodian and Broker-Dealer Fees***

In addition to the Firm's advisory fees, clients are responsible for the fees and expenses charged by custodians and broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which the Firm or a Money Manager effects transactions for the client's account. Please refer to the *Brokerage Practices* section of this brochure for additional information regarding Capital Advisor's brokerage practices.

### ***Advisory Fees in General***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

## Item 6: Performance-Based Fees

Capital Advisors may charge performance based fees for its advisory services under its Outsourced Investment Office that services institutions. A base fee is charged on assets under management. Should there be an excess return over a mutually agreed-upon hurdle with the client, the firm may receive a portion of the excess return, called the participation rate. Performance based fees may create the incentive to allocate potentially riskier, but potentially better performing, investments in an effort to increase the incentive fee. Capital Advisors portfolio manager and compliance staff manage potential conflicts of interest by allocating investment opportunities in a fair and equitable manner consistent with the investment objectives and strategies of each client and in accordance with our allocation policies and procedures so that no client will be disadvantaged in relation to any other client.

## Item 7: Types of Clients

Capital Advisors primarily provides investment advisory services to individuals, including high net worth individuals, and associated trusts, family offices, estates, and charitable institutions. Capital Advisors generally requires a minimum annual fee of \$40,000 as a condition to establishing and maintaining the services it offers. Capital Advisors may waive this requirement in its sole discretion on a case-by-case basis.

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

Capital Advisor's investment advisory services generally entail making investment recommendations or decisions regarding portfolio asset allocation with respect to client investments in separate accounts, mutual funds, ETFs, separate accounts, private funds and other investments. The Firm primarily uses the following methods of analysis in formulating investment recommendations and making investment decisions for client portfolios:

### *Asset Allocation Analysis*

The Firm's asset allocation recommendations and decisions are based on asset-liability modeling, which takes into account a client's investment objectives, risk tolerance and investment constraints, including investment time horizon, certain tax considerations and liquidity, cash flow and estate planning needs.

### ***Mutual Funds, ETF, Private Fund, and Separate Account Analysis***

In making mutual fund, ETF, private fund and/or separate account investment recommendations and decisions, the Firm takes into account, among other considerations, the client's financial circumstances and objectives, the fund's investment objective, principal investment strategies, principal investment risks, performance track record, experience and track record of the fund's portfolio manager(s), and the fund's fees and expenses.

In recommending or selecting a prospective Money Managers as well as performing ongoing due diligence of a retained Money Manager, Capital Advisors may, where applicable, assess and monitor the following with respect to the Money Manager:

#### **Business Factors**

- Business infrastructure
- Assets under management
- Product assets under management
- Growth of assets
- Client mix
- Growth/turnover of clients
- Adverse change in investment management fees

#### **Personnel**

- Number and type of people
- Key investment professionals
- Expertise and experience
- Capacity constraints and focus

#### **Investment Process**

- Sound and well-articulated investment process
- Ability to find and source investment ideas
- Quantitative and/or qualitative investment research
- Disciplined buy and sell procedures
- Risk management
- Portfolio construction process
- Performance attribution analysis
- Comprehensive performance evaluation including risk-adjusted performance

### ***Investment Strategies***

In consultation with each client, Capital Advisors develops a customized investment strategy (or implementation plan) for the client, which incorporates the portfolio asset allocation, manager selections and investment guidelines. The investment strategy is included in the client's IPS, in

addition to the specific benchmarks, peer groups, investment restrictions and expectations for each Money Manager.

### ***Risk of Loss***

Investing in securities and selecting Money Managers involves a risk of loss that clients should be prepared to bear. Clients may lose money as a result of selecting a Money Manager to manage assets and/or investing in a mutual fund, ETF, private fund or other security recommended by the Firm. Client portfolio performance could be negatively impacted by a number of different material risks including but not limited to:

**Active Trading Risk.** Frequent trading will result in higher-than-average portfolio turnover ratio and increased brokerage and transaction costs, and may generate higher short-term capital gains.

**Asset Allocation Risk.** Asset allocations change over time due to market fluctuations and, if not adjusted through portfolio rebalancing, may no longer be appropriate for the client's investment objectives. Asset allocation modeling may also result in structuring a portfolio that focuses investments in a small number of issuers, industries or geographic regions, which may cause the portfolio to be more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio.

**Credit Risk.** The risk that a portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

**Interest Rate Risk.** The prices of, and the income generated by, most debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the fund's portfolio generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities.

**Issuer Risk.** The value of a security may decline because of adverse events or circumstances that directly relate to financial conditions of the issuer or any entity providing it credit or liquidity support.

**Liquidity Risk.** A security may not be able to be sold at the time desired or without adversely affecting the price.

**Management Risk.** There is no guarantee of a portfolio's performance, that a portfolio will meet its objectives, or that selected Money Managers will meet their objectives. As a result, the market value of a client's portfolio may decline, and the client may suffer an investment loss. A Money Manager's past performance is not indicative of future results. Clients should refer to a Money Manager's brochure for additional information regarding the material risks attendant to a particular investment strategy employed by a Money Manager.

**Market Risk.** The prices of, and the income generated by, the common stocks, bonds, and other securities held by a portfolio may decline in response to certain events taking place around the world, including those directly involving the issuers whose securities are owned by the portfolio; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations.

**Methods of Analysis Risk.** The Firm's analysis methods rely on the assumption that brochures, prospectuses, private placement memorandums and any other offering and/or disclosure documents pertinent to a Money Manager or investment are accurate. There is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information in these documents.

**Mutual Fund and ETF Risk.** A portfolio will be exposed indirectly to all of the risks of securities held by a mutual fund or ETF. Clients should refer to the prospectus of the mutual fund or ETF for additional information regarding the principal investment risks of investing in a particular mutual fund or ETF.

**Private Fund Risk.** Investments in hedge funds, private equity funds and other private funds may involve a high degree of risk and often entail leverage and other speculative investment practices that may increase the risk of investment loss. Private fund investments (i) may be highly illiquid; (ii) may be difficult to value; (iii) may involve complex tax structures that could result in delays in distributing tax information; (iv) may not be subject to the same regulatory requirements as public securities; (v) may charge fees which could offset any profits; and (vi) the underlying investments may be known only to the investment manager. Clients should consider their risk tolerance and whether private fund investments are appropriate in light of their investment experience, objectives, and financial resources.

**Regulatory Risk.** Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

## Item 9: Disciplinary Information

There is no state or federal governmental disciplinary action, or judicial sanction, material to a client's or prospective client's evaluation of Capital Advisor's advisory business or the integrity of Capital Advisor's management.

## Item 10: Other Financial Industry Activities and Affiliations

Capital Advisors is affiliated with Presidio Merchant Partners LLC ("PMP"), a wholly owned subsidiary of Presidio. PMP is a limited purpose broker-dealer that engages in investment banking activities, which are not material to Capital Advisor's advisory business. Some advisors may periodically be introduced to PMP clients or prospects for the sole purpose of wealth management and estate planning where these advisors may gain access to information that is not publicly available which may ultimately create a potential conflict of interest with its advisory clients. Affiliates work independently and there is no obligation on either party to partner or associate with affiliated parties as a condition to receiving investment services.

Capital Advisors is also affiliated with Presidio Investors LLC ("PI"), an exempt reporting adviser with the State of California that is a wholly owned subsidiary of Presidio. PI is a member of Presidio Investors Fund I GP LLC ("GP"), and serves as the manager of Presidio Investors Fund I LP ("Fund I"), a private equity fund. PI provides certain administrative services and facilities to the GP and to Fund I. Fund I was closed to new investors in April 2008. Prior to Fund I's closing, some Capital Advisors clients purchased limited partnership interests in Fund I. Capital Advisors has not received any compensation in connection with these investments, however, in the event that Fund I generates profits, PI may receive incentive compensation in the form of carried interest in connection with its membership in the GP. In the future, Capital Advisors may recommend clients invest in other funds sponsored by its affiliates to the extent Capital Advisors finds that the investments in such funds are suitable for its clients. In connection with recommending that a client invest in an affiliated fund, Capital Advisors will disclose any economic benefit received by the Firm and/or its affiliates to the client and provide the client with the fund's private placement memorandum and any additional offering documents. Where Capital Advisors has investment discretion, it will not invest a client's assets in an affiliated fund unless it determines that the investment is suitable for the client, provides the client with the aforementioned disclosure and documents, and obtains written consent from the client to invest in the affiliated fund.

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

Capital Advisors and its related persons may personally invest in the same securities that are recommended to, or purchased for, clients, including limited partnership or membership interests of private funds affiliated with Capital Advisors as described above in the *Other Financial Industry Activities and Affiliations* section of this brochure. Generally, neither the Firm nor any of its related persons recommend securities to clients, or buys and sells securities for clients, at or about the same time that such securities are bought or sold for the Firm or for a related person. The Firm believes that any potential conflict of interest is mitigated by the Firm's policies and procedures related to employee personal trading. Specifically, all transactions made by employees are closely monitored on an ongoing basis by the Firm to ensure that pre-clearance has been sought and obtained by employees when required, and that the personal trading patterns of employees fall within the guidelines set forth in the Code of Ethics. If a security is purchased or sold for a client and Capital Advisors or its related persons on the same day, the client and Capital Advisors or its related persons will pay or receive the same price, or the client will receive the better price. Capital Advisors and/or its related persons may also buy or sell for their own account a specific security, which the Firm determines is not an appropriate investment for clients based on clients' investment objectives, risk tolerance and/or client investment restrictions.

Generally, neither the Firm nor any of its related persons recommend that any client acquire or sell securities in which the Firm or any related person has a material financial interest. As discussed below, the Firm has adopted the Code of Ethics to seek to avoid potential conflicts of interest involving personal trades, which includes a formal set of policies and procedures to prevent insider trading and front running, and also includes guidelines related to employees' personal securities transactions to which all employees must adhere.

### ***Presidio Capital Advisors Code of Ethics***

The Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act").

The Firm's Code of Ethics requires, among other things, that its principals and employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Firm above one's own personal interests;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;

- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analyses, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

The Firm's Code of Ethics also requires principals and employees to: (1) pre-clear certain personal securities transactions; (2) report personal securities transactions on at least a quarterly basis; and (3) provide the Firm with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

## Item 12: Brokerage Practices

Capital Advisors may recommend or select the broker-dealer to be used for client transactions subject to client directions. When recommending or selecting a broker-dealer, Capital Advisors considers the quality of service of the broker-dealer, including but not limited to, the promptness of execution of securities business, competitive commissions, securing the best price for a transaction under the circumstances, the ability to provide accurate settlement, and the financial stability of the broker-dealer.

Capital Advisors may also recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") or Fidelity Institutional Wealth Services ("Fidelity"), each a FINRA registered broker-dealer and member of SIPC, to maintain custody of clients' assets and to execute trades for their accounts. Capital Advisors is independently owned and operated and not affiliated with either Schwab or Fidelity. Capital Advisors does not require that clients custody their assets at Schwab or Fidelity. A client may use other or additional custodians as determined by the client.

Schwab and Fidelity provide Capital Advisors with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers with a total of at least \$10 million of the adviser's clients' assets maintained in accounts at Schwab or Fidelity. These services are not contingent on Capital Advisors committing to Schwab or Fidelity any specific amount of business (e.g. trading commissions). Schwab and Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Capital Advisors client accounts maintained in their custody, Schwab and Fidelity are compensated by account holders through commissions and other transaction-related or asset-based fees charged as a percentage of the market value of assets under custody. Schwab and Fidelity also make available other products and services that benefit Capital Advisors but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or a substantial number of Capital Advisors accounts, including accounts not maintained at Schwab or Fidelity. Schwab and Fidelity's products and services that assist Capital Advisors in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Capital Advisor's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab and Fidelity may pay third-party vendors for the types of services rendered to Capital Advisors. Schwab and Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Capital Advisors. Schwab and Fidelity may also provide other benefits such as educational events or occasional business entertainment of Capital Advisors employees.

Capital Advisors may also recommend or select a broker-dealer and/or custodian other than Schwab or Fidelity when it determines that utilization of another broker-dealer or custodian would be in the best interest of the client. The Firm may also recommend that a client use a custodian other than Schwab or Fidelity if it determines that the utilization of another custodian may also provide similar benefits to the Firm.

Capital Advisor's receipt of benefits from client brokerage commissions may create a conflict of interest when the Firm recommends or selects certain broker-dealers and/or custodians, including Schwab and Fidelity. When the Firm uses its clients' brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because it does not have to produce or pay for the research, products or services. Accordingly, the Firm may have an incentive to recommend or select a broker-dealer based on its interest in receiving the research or other services, rather than on its clients' interest in receiving most favorable execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

The Firm may also take into account client referrals it receives from broker-dealers. Accordingly, the Firm may have an incentive to recommend or select a broker-dealer based on its interest in receiving client referrals. The Firm's policy, however, is to take into account the client's best interest in recommending and selecting broker-dealers to execute client transactions.

### ***Order Aggregation and Allocation***

Capital Advisors may at times determine that certain securities are suitable for clients and other Capital Advisors-managed accounts, possibly including Firm accounts or accounts of an affiliate. If that occurs, and Capital Advisors is not able to acquire the desired amount of such securities on its' terms and conditions, Capital Advisors will allocate the limited amount of such securities among the various accounts in a manner the Firm deems suitable including but not limited to: allocations based on

relative account sizes; the degree of risk involved in the securities acquired; and the extent to which a position in such securities is consistent with the IPS of the various accounts involved.

Capital Advisors may aggregate sale and purchase orders of securities held by client accounts simultaneously. Capital Advisors may do so only if it reasonably believes that aggregation is likely to produce an overall economic benefit to clients. Capital Advisors may consider better purchase or sales prices, lower commission expenses or timing of transactions, or a combination of these and other factors. In such instances, the purchase and sale of securities for the client may be affected simultaneously with the purchase and sale of like securities for other client accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. If that occurs, the average price of all securities purchased or sold in such transactions may be determined and, at Capital Advisor's sole discretion, the client may be charged or credited, with the average transaction price. Averaging could result in the client paying a higher (or lower) price for securities purchased, or receiving a lower (or higher) price for securities sold, than would be the case if other managed accounts were not concurrently purchasing or selling like securities.

## Item 13: Review of Accounts

Investment Consultants review client accounts and provide each client with a written Executive Summary, or similar documentation, on a quarterly basis. The Executive Summary provides quarterly account values and account performance information in comparison to the account's benchmark(s). Generally, an Investment Consultant discusses with each client in person on a quarterly basis to review the Executive Summary. At the meeting, the Investment Consultant reviews the Executive Summary, as well as market conditions and other circumstances as warranted. The Investment Consultant will also discuss any recommendations regarding portfolio repositioning or rebalancing with the client. More frequent reviews of client accounts may be triggered by material changes in the client's individual circumstances, or market, political or economic circumstances.

Capital Advisors makes information regarding client account values and transactions available to clients through its website on a daily basis. Additionally, the Firm may provide a report regarding changes in the market value of client accounts, as well as a realized and unrealized gain/loss and income and expense report periodically or upon request by the client. As described above, the Firm provides written Executive Summaries to clients on a quarterly basis and reports tracking the delivery of K1s for private funds on an annual basis. Written realized and unrealized gain/loss and income and expense reports are also updated in mid-February and provided to clients shortly thereafter to report any restated transaction data.

## Item 14: Client Referrals and Other Compensation

Capital Advisors may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to the Firm in compliance with Rule 206(4)-3 under the Advisers Act. The compensation paid to

Solicitors will typically consist of a cash payment stated as a percentage of the advisory fees paid to the Firm by the client referred by the Solicitor. The advisory fees paid to the Firm by clients referred by Solicitors are not increased as a result of referrals. Whenever Capital Advisors pay a referral fee, it requires the Solicitor to provide the prospective client with a copy of Part 2 of the Firm's Form ADV and a separate disclosure document that includes the following information:

- the Solicitor's name and relationship with the Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to the Firm by the client will be increased above the Firm's standard advisory fees in order to compensate the Solicitor.

As described in the *Brokerage Practices* section of this brochure, the Firm receives an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to the Firm whose clients maintain their accounts at Schwab or Fidelity. These products and services, how they benefit the Firm, and the related conflicts of interest are also described in the *Brokerage Practices* section of this brochure. The availability of Schwab's or Fidelity's products and services to the Firm is not based on the Firm giving particular investment advice, such as buying particular securities for the Firm's clients.

Capital Advisors may also receive client referrals from Charles Schwab & Co., Inc. ("Schwab") through their participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Capital Advisors. Schwab does not supervise Advisor and has no responsibility for Capital Advisors' management of clients' portfolios or Advisor's other advice or services. Capital Advisors pay Schwab fees to receive client referrals through the Service. Capital Advisors' participation in the Service may raise potential conflicts of interest described below. The minimum account size to participate in the Service is generally \$2 million.

Capital Advisors pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Capital Advisors is a percentage of the value of the assets in the client's account. Capital Advisors pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Capital Advisors quarterly and may increase, decrease or be waived by Schwab from time to time. The Participation Fee is paid by Capital Advisors and not by the client. The client will be charged a differential fee which is added to the regular advisory fee charged by Capital Advisors. The fee schedule for this differential fee is:

▪ First \$2MM	25bps	(6.25/qtr)
▪ \$2MM-\$5MM	20bps	(5.0 /qtr)
▪ \$5MM-\$10MM	15bps	(3.75/qtr)
▪ Over \$10MM	10bps	(2.5/qtr)

The fee is calculated at the end of each quarter based on the average daily value of the assets in the householded accounts. Capital Advisors will pay the fees to Schwab and will debit the client account(s) based on the fee charged by Schwab. This fee is in addition to the fee charged by Capital Advisors and does not include any custodial, management, or fund fees.

Capital Advisors generally pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Capital Advisors will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Capital Advisors clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Capital Advisors will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Capital Advisors fees directly from the accounts.

For accounts of Capital Advisors clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Capital Advisors' clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Capital Advisors may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Capital Advisors nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Capital Advisors other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## Item 15: Custody

Capital Advisors does not maintain physical custody of client assets. Assets in client accounts are held in custody at Fidelity, Schwab or another independent qualified custodian. Clients may authorize Capital Advisors to directly debit advisory fees from their accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Clients should carefully review the account statements they receive from their custodian, and compare those statements to account information provided by the Firm. Clients should contact the Firm and their custodian directly if they believe that there may be an error in any statement provided by the Firm or their custodian.

## Item 16: Investment Discretion

Capital Advisors may accept discretionary authority to make investment decisions for client account subject to client directions and restrictions. Any discretionary authority would be reflected in the investment advisory agreement between Capital Advisors and the client.

As described in the *Brokerage Practices* section of this brochure, Capital Advisors may also recommend or select a broker-dealer for trade execution. Capital Advisors considers the quality of service when recommending a broker, including but not limited to the promptness of execution of securities business, competitive commissions, securing the best price for a transaction under the applicable circumstances, the ability to provide accurate settlement, and the financial stability of the broker-dealer.

## Item 17: Voting Client Securities

Capital Advisors does not accept proxy voting authority from clients. Money Managers recommended by Capital Advisors may or may not accept the authority to vote client proxies. Clients will receive their proxies or other solicitation materials directly from their custodian or broker-dealer. Clients should contact their custodian, broker-dealer or Money Manager rather than the Firm with questions about a particular solicitation.

## Item 18: Financial Information

Capital Advisors has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.