



FORM ADV PART 2A, FIRM BROCHURE

EFFECTIVE SEPTEMBER 2022

This Brochure provides information about the qualifications and business practices of Sage Capital Advisors, LLC dba Bayou City Investments ("Bayou"). If you have questions about the contents of this Brochure, please contact us at 844-279-7243.

Bayou is a registered investment advisor registered with the United States Securities and Exchange Commission ("SEC"). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an Investment Advisors does not imply any specific level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisors.

Additional information about Bayou and its advisory person are available on the SEC website www.adviserinfo.sec.gov

CRD No. 136577
SEC File No. 801-64637

122 S. Phillips Ave., #260
Sioux Falls, SD 57104

990 Village Square Dr,
Suite G800
Houston, TX 77375

www.bayouadvisors.com
www.sage-cap.com

ITEM 2: MATERIAL CHANGES

Bayou City Investments is required to notify clients of any information that has changed since the last annual update of the Firm Brochure ("Brochure") that may be important to them. Clients can request a full copy of our Brochure or contact us with any questions that they may have about the changes.

Since the last annual amendment filed on 09/23/2021, the following changes have been made:

- Our firm has disclosed a relationship with Pontera®, please see items 5 and 15 of this brochure for additional information.
- Please see item 4 and 5 of this brochure for additional information pertaining to the various billing options offered by our firm.
- Our firm has clarified in item 5 of this brochure that our firm bills on cash and cash equivalents in client's managed accounts.
- Our firm has updated item 4 of this brochure to provide additional information about our ERISA 3(21) and 3(38) services.
- Our firm has updated item 8 with information about options as we can recommend these investment vehicles when appropriate for clients, as well as, information about cash and cash equivalents.
- Our firm has increased our hourly fee for Financial Planning and Consulting services to \$250 per hour and the maximum fee for this service will be of \$100,000.

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ITEM 4: ADVISORY SERVICES

FIRM INFORMATION

Sage Capital Advisors, LLC dba Bayou City Investment Advisors (“Bayou”) is a registered investment advisor with the United States Securities and Exchange Commission. Bayou is organized as a limited liability company in the State of Nevada. The principal owners are Matthew Johnson and Diana Blair, with each owning a 50% stake in Bayou. Mr. Johnson’s stake is owned via a privately held firm, Sage One Ltd., Ms. Blair’s stake is also owned via a privately held firm, Dblair Corporation. Bayou has been in continuous operation since 2005.

ADVISORY SERVICES OFFERED

Investment Management Services: Bayou provides continuous, active management of client investment portfolios. Bayou has developed a proprietary client service model that includes discovery, planning, implementing and monitoring components.

Client Discovery: Upon entering into an advisory agreement, Bayou will draft, and the Client will sign, a statement of Investment Guidelines. This statement will be based on conversations and information collected during the interview stage. Bayou will collect information concerning a Client’s financial status, goals and assets among other things.

Investment Plan: Based on the information provided by the Client, Bayou may furnish the Client with an “Investment Policy Statement” which summarizes the Client’s current investment portfolio, investment goals and objectives, timeline and risk tolerance ability and willingness.

Portfolio Design and Implementation: Upon completion of the investment objective information, Bayou will design the Client’s investment portfolio implementing an investment plan for the Client. In designing a portfolio, Bayou does not adhere to rigid models or benchmarks. Every portfolio constructed is based solely on each Client’s objectives and financial profile.

Investment Monitoring and Maintenance: Bayou will continuously monitor the investment portfolio to ensure that the portfolio meets the Client’s goals and objectives. Further, Bayou monitors each Client portfolio to ensure they are invested in accordance with Bayou’s firm-wide investment guidance and economic outlook. Accounts are typically managed on a discretionary basis. Bayou may offer non-discretionary services as well. For more on Bayou’s discretionary authority, please see Item 16 below.

It is the Client’s responsibility to notify Bayou promptly, in writing, of any change to the information provided by the Client, including changes to investment objectives, risk tolerance, investment time horizon and any investment policies, guidelines or reasonable restrictions. Bayou will honor Client restrictions unless those restrictions impair Bayou’s ability to manage Client assets.

Consulting Services: Bayou may offer investment consulting services on assets not managed by Bayou. Consulting advice may be regarding a security, business transaction, consulting arrangement or any other issue about which the principals of Bayou feel they may be able to render an expert opinion.

Managed Account Programs: Bayou may enter into agreements with various managed account programs. All managed account programs utilized by Bayou will be licensed as Investment Advisors by their resident state or with the U.S. Securities and Exchange Commission. Bayou will gather information about a Client’s financial situation and investment objectives and then select a money management program based on the services required by the Client.

Fees for separately managed accounts are established and payable in accordance with the Form ADV Part 2 of

each managed program and may not be negotiable by Bayou. Fees for managed accounts will be deducted in addition to Bayou's advisor fee and will be fully disclosed to the Client.

Financial Planning Services: Bayou provides financial planning and consulting services. Financial planning services are rendered via a proprietary service methodology. A financial plan may include a review and analysis of the following:

- Clients net worth (including assets and liabilities)
- Objectives
- Time Horizon
- Risk tolerance
- Risk capacity and management
- Cash flow and expenses
- Income taxes
- Fringe benefits
- Retirement
- Educational funding
- Estate planning

Bayou's approach to providing this service starts with gathering current financial and subjective material and information. Bayou then assesses a Client's goals, objectives, time horizon and risk tolerance to compare where the client is today in relation to the attainment of their stated goals. A financial plan is prepared and is discussed with the Client along with various alternative considerations. During this process, the client is educated about recommendations.

Bayou entrusts that the Client will provide accurate information and that Bayou is not obligated to verify any information received from the Client. If requested by the Client, Bayou may recommend the services of other professionals for purposes of implementing certain aspects of the financial plan. Clients are under no obligation to engage the services of any such recommended professionals. Clients retain absolute authority over all implementation decisions and are free to accept or reject any recommendation from Bayou. Moreover, Clients are advised that it remains their responsibility to promptly notify Bayou if there is any change in their financial situation during the financial planning process.

Investment Management for Plan Participants and Plan Sponsors:

Our firm provides retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising may include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation and Portfolio Construction – Our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Investment Monitoring – Our firm will monitor the performance of the investments and notify the client

in the event of over/underperformance and in times of market volatility.

- Participant Education – Our firm will provide opportunities to educate plan participants about their retirement plan offerings, different investment options, and general guidance on allocation strategies.

In providing services for retirement plan consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, “Excluded Assets”). All retirement plan consulting services shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans (“Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

CLIENT ACCOUNT MANAGEMENT

Prior to engaging Bayou to provide investment advisory services, the Client is required to enter into an investment management agreement with Bayou which sets forth the terms and conditions of the engagement and the services to be provided. These services may include:

Selecting Investment Securities: Bayou will utilize a proprietary securities analysis methodology (described in Item 8 below) to determine which securities are deemed suitable for investment for Bayou clients.

Portfolio Construction: Bayou will implement its security recommendations on a discretionary basis. That is, Bayou may purchase and sell securities in a Client’s account without obtaining specific Client consent. Non-discretionary services are also available. Bayou will use the services of a discount broker-dealer to provide custodial services and affect trades.

Ongoing Investment Monitoring: Bayou provides ongoing oversight of the Client’s investment portfolio. All investments are monitored relative to certain benchmarks and Bayou expectations.

WRAP FEE PROGRAMS

Bayou does not manage any proprietary wrap fee programs. Should Bayou manage proprietary wrap fee programs in the future, information will be provided here.

ASSETS UNDER MANAGEMENT

As of June 30, 2021, Bayou manages the following assets:

Discretionary Assets	\$ 304,444,118
Non-Discretionary Assets	<u>\$ 55,327,747</u>
Total	\$ 359,771,865

ITEM 5 – FEES AND COMPENSATION

The following information details the fee structure and compensation methodology for investment management services. Each Client shall sign an Investment Management Agreement that details the responsibilities of Bayou and the Client.

FEES FOR ADVISORY SERVICES

Investment Management Services: Bayou's fees for investment advisory services varies based on the amount of assets managed by Bayou. Typically, fees are a fixed percentage of the assets under management. This fee includes all investment recommendations and portfolio implementation, unless the client contract states otherwise. The fees for investment advisory services are billed on a tiered fee schedule. It is important to note that Bayou bills on cash and cash equivalents when part of an investment strategy. Family accounts may be combined for calculating breakpoints; some clients may pay a flat fee in lieu of the assets under management fee.

Tiered Annualized Investment Management Fees	
Account Value	Annual Percentage Fee
On the First \$1,000,000	1.5%
On the next \$3,000,000 (1-4 Million)	1.3%
On the next \$3,000,000 (4-7 Million)	1.2%
On the next \$3,000,000 (7-10 Million)	1.1%
All assets over \$10 Million	1%

Bayou may permit exceptions to its fee policies such as flat fee billing. Such negotiated fees are approved on a case by case basis by the principals of Bayou. The determining factors to a negotiated fee are the relative complexity of the client situation, size of the portfolio and the scope of services to be provided. In all cases, the Client's fee will be agreed upon in advance and indicated in the Client Agreement.

Consulting Fees and Financial Planning Services: Clients may engage Bayou on an hourly fee basis. Hourly fees are usually charged for various consulting services a client may request. Hourly fees are \$250.00 per hour or a predetermined fee starting at \$1,000. In no case shall fee's for this service exceed \$100,000.

Investment Management for Plan Participants and Plan Sponsors: Bayou's fee for investment advisory services for plan participants and plan sponsor varies based on the amount of assets managed by Bayou. Typically, fees are a fixed percentage of the assets under management. This fee includes all investment recommendations and portfolio implementation, unless the client contract states otherwise.

The fees for investment advisory services for plan participants and plan sponsors are billed on a tiered fee schedule.

Total Assets	Annual Fees
\$0-\$499,000	0.80%
\$500,000 - \$9,999,999	0.70%
\$10,000,000 - \$14,999,999	0.60%
\$15,000,000 - \$24,999,999	0.50%
\$25,000,000 - \$49,999,999	0.40%
\$50,000,000 and above	0.30%

Bayou may permit exceptions to its fee policies such as flat fee billing. Such negotiated fees are approved on a case-by-case basis by the principals of Bayou. The determining factors to a negotiated fee are the relative complexity of the Client situation, size of the portfolio and the scope of services to be provided. In all cases, the fees will be agreed upon in advance and indicated in the Client agreement.

FEE BILLING

Asset Based Fee: Fees billed on a percentage of assets under management and are invoiced either quarterly or monthly in advance or in arrears. For accounts billed in arrears the fee will be based upon the account value on the last day of the period. For accounts billed in advance the fee will be based upon the account value on the last day of the previous period. ERISA accounts will be quarterly in arrears. All fees will be agreed upon in advance

and indicated in the Client agreement. For accounts opened during the month, fees will be prorated to cover only that period in which the account was managed by Bayou.

Asset based management fees will be automatically deducted from the client account by the Custodian. Bayou shall send a monthly invoice to the Custodian indicating the amount of fees to be deducted from the Client account. The amount due monthly is calculated by applying the annual rate in the tables above to the total assets under management with Bayou prorated for the applicable time.

Clients receive independent statements from the Custodian generally on a monthly basis, but no less frequently than quarterly. It is the responsibility of the Client to verify the accuracy of the fees as listed on the Custodian's brokerage statement as the Custodian does not assume the responsibility.

Consulting and Financial Planning Fees: Clients paying an hourly fee will be billed in arrears monthly or upon completion of the work agreed upon in the contract. Hourly fees are documented during the project work and the Client will receive an invoice for the fee.

OTHER FEES AND EXPENSES

Clients may incur certain fees or charges imposed by third parties other than Bayou in connection with investments made on behalf of the Client's account(s). The Client is responsible for all custodial and securities execution fees charged by the Custodian and executing broker-dealer. The investment advisory fee charged by Bayou is separate and distinct from the Custodian and execution fees. In addition, all fees paid to Bayou for Investment Advisory Services are separate and distinct from the expenses charged by mutual funds and exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g. custody, brokerage and account reporting), and a possible distribution fee.

A Client may be able to invest in certain investments, without the services of Bayou, but generally would not receive access to Advisor and Institutional shares classes. The Client also would not receive the services provided by Bayou which are designed, among other things, to assist the Client in determining which products or services are most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the fund(s), if any, and the fees charged by Bayou to fully understand the total fees to be paid.

ADVANCE PAYMENT OF FEES AND TERMINATION

Advance Fees: For clients whose fees are payable in advance, Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees.

Termination: Clients may request to terminate their Investment Management Agreement with Bayou, in whole or in part, by providing written notice to Bayou. The Client shall be responsible for investment advisory fees up to and including the effective date of termination. Bayou will invoice the Client for all earned, unpaid investment advisory fees. The Client's Investment Management Agreement with Bayou is non-transferrable without Client's written approval. Clients may terminate the Investment Management Agreement without penalty (full refund or no fees due) within five (5) business days of signing the Agreement if the Bayou Form ADV Part 2 was not delivered at least 48 hours prior to the client's execution of the agreement. Bayou shall not impose any start-up, closing or penalty fees in connection to the account. Clients may be assessed closing fees by the accounts' custodian.

FEES FOR HELD AWAY ACCOUNTS:

In certain instances, our firm will manage clients' held away accounts through the Pontera platform. The fee associated with this platform is 0.25% of the assets under management, however, it is important to note that this fee will be paid by our firm and as such will not result in the client paying higher fees than if the assets were

custodied with our recommended custodians.

COMPENSATION FOR SALES OF SECURITIES

As a fee-only advisor, Bayou is paid only on the advice and investment management provided to Clients based on the assets under management in the Client's account(s). Bayou does not receive commissions or any compensation for transactions in any Client account. However, as disclosed in item 10 of this brochure, certain of our representatives are licensed insurance agents and would be entitled to receive commissions for the sale of insurance products.

ITEM 6: PERFORMANCE BASED FEES

Performance Based Fees: Bayou does not currently charge performance-based fees for any Client. If Bayou enters into such an arrangement, full disclosure will be made in this section.

Side by Side Management: Bayou does not currently manage any proprietary investment funds (i.e. mutual funds). If Bayou enters into such an arrangement, full disclosure will be made in this section.

ITEM 7: TYPES OF CLIENTS

Bayou may provide services to a variety of client types. However, Bayou clients will typically fall into one of the following categories:

- *Individuals, Small Business Owners, Families, Personal Trusts and Estates:* Private investors investing personal assets
- *501C(3) Non-Profit Corporation:* Non-Profit corporations may be charitable groups or Native American Tribes.
- *Pension and Profit-Sharing Plans:* Generally organized as a trust investing the assets of plan participants.
- *Plan Participants:* Individuals enrolled in a pension or profit-sharing plan seeking individual advice independent of their plan sponsor.
- *Other Financial Service Firms:* Typically, other investment advisors for whom Bayou provides investment, operational and/or administrative support

The relative percentage of each client type is available on Bayou's Form ADV Part 1. The actual mix of types of clients changes over time based upon market conditions, business plans and other factors.

For accounts governed by the Employee Retirement Income Security Act of 1972, as amended ("ERISA"), Bayou acknowledges that it is a fiduciary to the plan under Section 3(38) of ERISA. In providing its services, the sole standard of care imposed upon Bayou is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Bayou provides customized services to meet the unique needs of each Client. Additional details are presented in Item 4 – Advisory Services

Our firm generally requires a minimum of \$300,000 in assets under managements for our services however, this minimum may be waived at managements discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGY AND RISK OF LOSS

While generally pursuing a value-based methodology in its investment approach, Bayou investment strategies do not fall into fixed style classifications. Rather, each Client's portfolio is custom tailored to specific investment

objectives and risk considerations. All portfolios are constructed with prevailing long-term trends in mind.

Bayou will typically manage accounts using individual issues. Equities are selected for inclusion in a portfolio by way of the methods described below. Bayou may also choose to invest client money in fixed income instruments, mutual funds, money market funds and where appropriate, real estate limited partnerships.

Individual Investments are chosen based upon a due diligence process which involves in-house valuation, third party reporting and portfolio monitoring. Bayou does not constrain its investments to a benchmark as it relates to weighting, capitalization, country of origin or valuation parameters.

METHODS OF ANALYSIS

Fundamental Analysis: Bayou uses fundamental analysis in making investment decisions with respect to investment securities. Fundamental analysis is the process of analyzing a company's financial value through ratio analysis, utilizing financial data provided by the individual company. This technique looks at both the absolute and relative performance of the company's financial health and prospects. Bayou utilizes fundamental analysis to provide insights on the trends in the individual business as well as the comparative strengths versus other companies in the industry. These criteria are usually ratio's and trends that may indicate the overall strength and financial viability of the entity being analyzed.

Bayou considers macroeconomic factors as well as issue specific factors. Macroeconomic factors considered by Bayou include, but are not limited to:

- General economic conditions
- Inflation trends
- Interest rate and the yield curve
- Market volatility and trends
- Monetary policies
- Legislative actions
- Sector Valuations

Issue specific factors include, but are not limited to:

- Earnings
- Cash flow coverage
- Credit worthiness
- Balance sheet strength
- Dividend stability
- Cash generation
- Top-Line revenue growth
- Margin stability and growth
- Interest coverage
- Leverage
- Liquidity
- Solvency
- Asset efficiency
- Unique considerations

Companies are deemed suitable for investment when they meet certain criteria that suggest the value of the stock may be discounted by the broad market. Generally, Bayou seeks to invest in companies selling at a discount to their intrinsic value. This method is known generally as "value – based investing".

Technical Analysis: Technical Analysis is used for analyzing various economic, price and market trends. These

trends both short and long term are used for determining specific trade entry and exit points in conjunction with fundamental analysis. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, and point and figure charts among others. These indicators do not speak to the financial health of an issuer, but instead focus on price action. Indicators are also used to gauge overall market sentiment and risk levels.

Mutual Funds/Outside Managers: Although the focus on Bayou's investment methodology is individual issues, mutual funds may be used in certain portfolios. Bayou may use various databases of information in order to facilitate the discovery process on each mutual fund investment manager utilized by Bayou.

Bayou may invest certain Client's assets with independent managers that pursue investment strategies that may be complementary to Bayou's investment strategies or better fulfill the Client's investment objectives. These managers may be diversified among multiple strategies, asset classes, regions, industry sectors and securities. Bayou considers both quantitative and qualitative factors when evaluating outside managers including:

- Expense Ratios and Fees
- Manager Tenure
- Manager adherence to portfolio guidelines and investment philosophy
- Performance relative to an appropriate benchmark and peer groups
- Legal and/or other regulatory proceeding that may affect the manager
- Material changes in the organization, investment philosophy and/or personnel
- Risk management process
- Relative performance during various time periods and market cycles
- Any other factor deemed appropriate by Bayou including previous experience

Tactical Strategies and ETF's: Bayou manages additional investment strategies that are not directly valued based depending upon the account size and client investment objectives. These include equity and exchange traded funds (ETF) strategies. When utilizing a tactical strategy, total return objectives may change over the course of a market cycle based on market conditions. This objective can change from high to low risk.

PREFERRED SECURITIES

We prefer to invest our advisory client's in the following securities in managing client accounts, provided that such securities are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

- ETFs
- Mutual Funds
- Stocks
- Bonds
- Cash Equivalents

Cash & Cash Equivalents: Cash and cash equivalents generally refer to either United States dollars or highly liquid short-term debt instruments such as, but not limited to, treasury bills, bank CD's and commercial papers. Generally, these assets are considered nonproductive and will be exposed to inflation risk and considerable opportunity cost risk. Investments in cash and cash equivalents will generally return less than the advisory fee charged by our firm. Our firm may recommend cash and cash equivalents as part of our clients' asset allocation when deemed appropriate and in their best interest. Our firm considers cash and cash equivalents to be an asset class.

Debt Securities (Bonds): Issuers use debt securities to borrow money. Generally, issuers pay investors periodic

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

Certain additional risk factors relating to debt securities include: (a) When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.; (b) Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.; (c) Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. (d) Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors. Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.; (e) If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.; (f) There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

Our firm attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that our firm will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Exchange Traded Funds ("ETFs"): An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to the investor. Anyone can buy any ETF no matter where in the world it trades.

This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

Equity Securities: Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. There may be little trading in the secondary market for particular equity securities, which may adversely affect our firm's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities. Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

Mutual Funds: A mutual fund is a company that pools money from many investors and invests that money in a variety of differing security types based on the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares are the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distributions they receive. This includes instances where the fund performed poorly after purchasing shares.; (b) Investors typically cannot ascertain the

exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds, however, are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

Options: An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of a:

- **Call Option:** Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.
- **Put Option:** Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock price to the option's strike

price, small movements in a stock can translate into big movements in the underlying options.

Risk of Loss: Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Client's should be prepared to bear potential risk of loss. Bayou will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for a Client's account. Client participation in this process, includes full and accurate disclosure of required information and is essential for the analysis of a Client's portfolio. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.

ITEM 9: DISCIPLINARY ACTION

Jeffrey Malone was involved in a regulatory action which was resolved on 03/10/2014. For additional information please search CRD #2141255 at www.adviserinfo.sec.gov.

ITEM 10: OTHER FINANCIAL ACTIVITIES OR AFFILIATIONS

Some Investment Advisor Representatives of our firm serve as sales agent for various insurance companies. This activity is done separate and apart from their roles as employees of our firm. These Investment Advisor Representatives may receive customary commissions and other related revenues from the various insurance companies whose products they sell. Some compensation may be in the form of sales incentives. Commissions generated by insurance sales do not offset regular advisory fees. Bayou Capital Advisors, LLC does not receive any portion of the commissions, other related revenues, or sales incentives. Clients should be aware that the receipt of commissions and sales incentives causes a conflict of interest when recommending certain products of the insurance companies. Clients are under no obligation to purchase any insurance products that are recommended. Further, in order to mitigate this conflict of interest, our Investment Advisor Representatives will follow their fiduciary duty and act in the clients' best interest.

ITEM 11: CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics: Bayou has implemented a Code of Ethics that defines our fiduciary commitment to each Client. This Code of Ethics applies to all persons associated with Bayou. The Code of Ethics was developed to provide general ethical guidelines and specific instructions regarding our duties to Clients. Bayou and its personnel owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of Bayou associates to adhere not only to the specific provisions of the Code, but to the general principles that guide the Code.

The Code of Ethics covers a range of topics that may include; general ethical principles, reporting personal securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes and amendments to the Form ADV and supervisory procedures.

Bayou has written its Code of Ethics to meet and exceed regulatory standards. To request a copy of our Code of Ethics, please contact us at the number on the cover page.

Personal Trading and Conflicts of Interest: Bayou allows our employees and contractors to purchase and sell the same securities that may be recommended to and purchased on behalf of Client's. Owning the same securities recommended to Clients presents a potential conflict of interest that, as fiduciaries we must disclose to Clients and mitigate through policies and procedures.

As noted above, we have adopted, consistent with Section 204A of the Investment Advisors Act of 1940, a Code of Ethics, which addresses insider trading (material non-public information controls) and personal securities reporting procedures. The majority of Bayou's investing is in widely traded stocks. Given the volume of these stocks, it is unlikely that trading of Bayou employees will have any material impact on the stock being traded.

Bayou has also adopted written policies and procedures to detect the misuse of material, non-public information. Bayou may have an interest or position in certain securities, which may also be recommended to Clients. At no time, will Bayou or any associated person of Bayou transact in any security to the detriment of a Client.

Bayou is a fee only advisor, who in all circumstances is compensated solely by the Client. Bayou does not engage in any commissionable securities transactions or buying securities from or selling securities to its Clients. As a fee only registered investment advisor ("RIA"), Bayou does not have a broker-dealer relationship and does not sell commissionable securities products of any kind to its Clients.

ITEM 12 BROKERAGE PRACTICES

While our firm does not maintain physical custody of client assets, we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts (see Item 15 Custody, below). Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

Our firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides our firm with "institutional platform services." Our firm is independently operated and owned and is not affiliated with

Fidelity. The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us 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 fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

In addition to the relationship outlined above with Fidelity, our firm has an arrangement with Charles Schwab & Co, Inc., ("Schwab") a qualified custodian from whom our firm is independently owned and operated. For the purpose of this section Fidelity and Schwab will be referred to as ("Custodians" "Our Custodians"). Our Custodians offer services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. Our Custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Our Custodians does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's custodial account. Transaction fees may be charged via individual transaction charges. These fees are negotiated with Our Custodians and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

Custodians may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by Custodians may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Custodians to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

Our Custodians do not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Custodians as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Custodians and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

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. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Soft Dollars: Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time.

Client Brokerage Commissions: Our Custodians do not make client brokerage commissions generated by client transactions available for our firm's use.

Client Transactions in Return for Soft Dollars: Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

Brokerage for Client Referrals: Our firm does not receive brokerage for client referrals.

Directed Brokerage: Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our firm routinely recommend that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of Custodians. Each client will be required to establish their account(s) with Custodians if not already done. Please note that not all advisers have this requirement.

Special Considerations for ERISA Clients: A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

Client-Directed Brokerage: Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

Aggregation of Purchase or Sale: Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

ITEM 13: REVIEW OF ACCOUNTS

Frequency of Reviews: Accounts are monitored on an ongoing basis by Bayou for adherence to the investment strategy and Client Objectives. Investment Management and supervision over the securities in the Client portfolio are performed on an ongoing basis by Bayou as applicable.

Causes for Review: In addition to the investment monitoring noted in item 13.A, each Client account will be reviewed at least annually. Review may be conducted more frequently at the Client's request. Accounts may be reviewed as a result of major changes in economic conditions, known changes to a Client's financial situation and large deposits or withdrawals from a Client account. The Client is encouraged to notify Bayou of changes that occur in their personal financial situation that may affect their investment plan. Additional reviews may be triggered by material market, economic or political events.

Review Reports: The Client will receive brokerage statements monthly but no less than quarterly from the Trustee or Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client may also establish electronic access to the Custodian's website, so the Client may review these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account(s).

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Compensation received by Bayou: Bayou is a fee-only advisor, who in all circumstances is compensated solely by the Client. Bayou does not receive commission or other compensation from product sponsors, broker dealers or any unrelated third party. Bayou may refer Clients to various third-parties to provide certain financial services necessary to meet the goals of its Clients. Likewise, Bayou may receive referrals of new Clients from a third-party.

Client referrals from Solicitors: Our firm pays referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with relevant state statutes and rules and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

ITEM 15: CUSTODY

Direct Debiting:

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

Third Party Money Movement:

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule")

under the Investment Advisers Act of 1940 (“Advisers Act”). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Pontera®:

Our firm has entered into an agreement with Pontera®, a platform allowing our firm to manage accounts held away from our recommend custodian without obtaining client login information and as such avoiding custody. Information about the fees associated with this platform is disclosed in item 5 of this brochure.

Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

ITEM 16: INVESTMENT DISCRETION

Discretionary Portfolio Management: Any limitation imposed on the discretionary authority of Bayou shall depend on the terms of the agreement governing Bayou’s relationship with each Client. In those cases where Bayou has full discretionary authority over Client accounts and the client has not imposed any specific restrictions, Bayou will generally have unlimited discretionary authority without obtaining specific consent, to determine:

- Securities to be bought and sold
- Amount of the securities to be bought and sold

Non-Discretionary Portfolio Management: Non-discretionary portfolio management is understood to mean that Bayou must first get Client permission before placing any trades to buy or sell securities in a Client account. Bayou is free to determine the timing of a transaction; however, permission must first be obtained from the Client. Clients should be aware that delays in granting permission for a transaction may hinder Bayou’s ability to effectively manage a portfolio.

ITEM 17: VOTING CLIENT SECURITIES

Bayou will generally vote proxies on behalf of Clients. Exceptions are made for Clients who wish to vote their own proxies or have retained the services of a third-party to vote proxies on their behalf. Further, mutual funds retained by Bayou may seek to vote proxies of portfolio holdings managed by that mutual fund. Bayou has a fiduciary duty to act solely in the best interests of its Clients when exercising proxy voting authority. Bayou will vote client securities in a timely manner and make voting decisions that are in the best interests of Clients.

Every effort is made to vote proxies in a way which Bayou believes will maximize the monetary value of each portfolio's holdings.

If at any time, Bayou believes that to vote a proxy in accordance with its policies and procedures would be contrary to the best interests of Clients, Bayou may, in its discretion:

1. Elect not to vote that proxy and provide Clients with the opportunity to vote directly;
2. Vote the proxy in accordance with a third-party voting recommendation; or
3. Abstain from voting.

Bayou will not have any duty or obligation to advise or take any action on behalf of Client or Client's account in any legal proceedings, including bankruptcies or class actions involving securities held in or formerly held in the account of the issuers of securities.

ITEM 18: FINANCIAL INFORMATION

Bayou is not required to provide financial information in this Brochure because:

- Bayou does not require the prepayment of more than \$1,200 in fees and six or more months in advance
- Bayou does not take custody of client funds or securities
- Bayou does not have financial condition or commitments that impair our ability to meet contractual and fiduciary obligations to clients
- Bayou has never been the subject of a bankruptcy proceeding