



## Form ADV Part 2A Investment Adviser Brochure

March 2023

This Brochure provides information about the qualifications and business practices of Capital Advisors, Inc. (“we”, “us”, “our”). If you have any questions about the contents of this Brochure, please contact Debra L. Konieczny, Chief Compliance Officer, at (918) 599-0045 or [debrak@capitaladv.com](mailto:debrak@capitaladv.com).

Additional information about our Firm is also available on the SEC’s website at <https://adviserinfo.sec.gov/Firm/104643>. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

We are a registered investment adviser. Please note that use of the term “registered investment advisor” and a description of the Firm and/or our employees as “registered” does not imply a certain level of skill or training. For more information on the qualifications of the Firm and our employees who advise you, we encourage you to review this Brochure and the Brochure Supplement(s).

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## **Item 2: Summary of Material Changes**

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### **Annual Update**

In this Item of Capital Advisors, Inc.'s (the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated February 25, 2022.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has the following material change to report:

- This Form was updated to include disclosure of our conflict of interest related to the financial incentive we have in recommending the transfer of retirement plan assets to accounts that we manage. Please see Item 5: Fees and Compensation for more information.

### **Full Brochure Available**

Capital Advisors' Form ADV may be requested at any time, without charge by contacting Debra L. Konieczny, Chief Compliance Officer, at (918) 599-0045 or [debrak@capitaladv.com](mailto:debrak@capitaladv.com).

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## **Item 4: Advisory Business**

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### **Firm Description**

Capital Advisors is primarily engaged as an investment advisory firm which gives general and specific investment advice to individuals, high net worth individuals, institutions, pension and profit-sharing plans, charitable organizations, investment companies and corporations and other business entities. Capital Advisors was founded in 1978.

### **Principal Owners**

Capital Advisors' owners include Keith Goddard via Keith C. Goddard Revocable Trust and G. (Andy) Brown via The George Anderson Brown Revocable Trust.

### **Types of Advisory Services**

Capital Advisors offers the following types of advisory services: Portfolio management for individuals and/or small business, portfolio management for investment companies, and portfolio management for businesses or institutional clients.

### **Investment Advisory Services**

Capital Advisors' Investment Advisory Services are provided in a comprehensive approach. The Firm's Investment and Research Committee (The Committee) is responsible for the development and daily management of portfolio strategies. The Committee is responsible for the research and selection of each security within each strategy. The Committee meets on a weekly basis, at minimum, to review portfolio strategies.

Capital Advisors' Investment Advisory Services are further provided by Portfolio Management teams comprised of an Investment Advisor Representative, an internal portfolio manager and a client services associate. The Portfolio Management team has ongoing responsibility for maintaining the relationship with the client. The Portfolio Management team ensures that each client is provided with an appropriate portfolio strategy based upon their specific investment objectives and stated risk tolerance. The client services associate serves as a liaison between Capital Advisors and the client's custodian to facilitate the processing of administrative documents and other administrative duties. This generally includes the following:

A consultation with the client to ascertain investment objectives, risk tolerance, time horizon and life goals.

- Developing an asset allocation plan or model portfolio to align the client's investment objectives with the most efficient and effective investment vehicles to attain those objectives.
- Selection and presentation of an investment strategy to the client.
- Implementing the investment strategy by establishing investment accounts, selecting custodians if necessary, transferring client assets, and establishing trading and data procedures.
- Monitoring investment selections, including adjustments or rebalancing of investments as necessary to meet the client's changing needs.
- Providing information regarding investment philosophies, specific investment vehicles, and other areas to enhance the client's knowledge.
- Reporting portfolio information, including holdings and investment performance to the client.

### **Financial Planning Services**

Capital Advisors provides comprehensive financial planning services. Our advice is tailored to meet the individual needs of each client, depending on the specific needs and circumstances as requested by each client. Our comprehensive financial planning services are not specific to one particular type of advice. Instead, we advise on a wide variety of financial issues which may include college funding, estate planning, tax planning, insurance, asset allocation, retirement planning, 401ks, and investment selection.

Capital Advisors uses one or more licensed software programs to facilitate the financial planning services and does not include any tax or legal advice with our financial plans. Where a discussion would include insurance products, only appropriately licensed individuals may participate in the advice offered.

### **Investment Companies (Mutual Funds)**

Capital Advisors serves as investment adviser to the Capital Advisors Growth Fund (CIAOX), (the Fund). The Fund is a diversified open-end investment company registered under the Investment Company Act of 1940. The Fund is a series of Advisors Series Trust. U.S. Bancorp Fund Services, LLC provides administration accounting and transfer agency services to the Fund. U.S. Bank, N.A. is the custodian of the assets of the Fund.

Capital Advisors does not actively market the Fund. It is offered as an alternative in the event a client's investment objective matches our Managed Equity Growth strategy but does not meet the minimum criteria for the strategy. Capital Advisors does not charge a separate investment advisory fee for the shares held within a portfolio. The Firm receives a management fee from the Fund; fees are disclosed in the Fund prospectus.

The Fund is treated as a client and managed in the same manner as any such client that might participate in the strategy. The holdings of the Fund are block traded with clients holding the strategy.

All fund shareholders receive annual audited financial statements as well as delivery of the prospectus by the Fund.

### **Tax Consulting**

Capital Advisors also consults with clients on tax matters. Capital Advisors does not offer tax preparation services.

### **Tailored Relationships**

Capital Advisors tailor's investment advisory services to the individual needs of the client. The goals and objectives for each client are documented in our client relationship management system. Capital Advisors' clients are allowed to impose restrictions on the investments in their account. Capital Advisors may accept any reasonable limitation or restriction to discretionary authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Capital Advisors in writing.

### **Fiduciary Statement**

Capital Advisors is a fiduciary under the Investment Advisers Act of 1940 and when Capital Advisors provides investment advice to clients regarding their retirement plan accounts or individual retirement accounts, Capital Advisors is also a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

Capital Advisors is required to act in each client's best interest and not put their interest ahead of clients at the same time, the way Capital Advisors makes money creates some conflicts with client interests. Capital Advisors must take into consideration each client's objectives and act in the best interests of the client. Capital Advisors is prohibited from engaging in any activity that is in conflict with the interests of the client.

Capital Advisors has the following responsibilities when working with a client:

- Render impartial advice;
- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put their financial interests ahead of clients when making recommendations (give loyal advice);
- Make appropriate recommendations based on the client's needs, financial circumstances, and investment objectives;
- Avoid misleading statements about conflict of interest, fees, and investments;

- Have a reasonable basis, information, and understanding of the facts in order to provide appropriate recommendations and representations;
- Follow policies and procedures designed to ensure that Capital Advisors give advice that is in your best interest;
- Charge no more than is reasonable for services;
- Provide clients with basic information about conflicts of interest; and
- Treat clients fairly and equitably

Regulations prohibit us from:

- Employing any device, scheme, or artifice to defraud a client;
- Making any untrue statement of a material fact to a client or omitting to state a material fact when communicating with a client;
- Engaging in any act, practice, or course of business which operates or would operate as fraud or deceit upon a client; or
- Engaging in any manipulative act or practice with a client.

Capital Advisors will act with competence, dignity, integrity, and in an ethical manner, when dealing with clients. Capital Advisors will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

## **Wrap Fee Programs**

Capital Advisors participates in wrap fee programs. A “wrap-fee” program is one that provides the client with advisory and brokerage execution services for an all-inclusive fee. The client is not charged separate fees for the respective components of the total service.

In evaluating wrap fee programs, clients should consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client’s account, the broker dealer’s usual commission rates and other factors, the wrap fee may be more or less than the aggregate cost of such services if they were to be provided separately and if Capital Advisors were to negotiate commissions and seek best price and execution of transactions for the client’s account. The advisory fee is negotiable between the client and Capital Advisors and is set out in the advisory agreement. The advisory fee is a percentage based on the value of all assets in the account, including cash holdings. The advisory fee may be higher than the fee charged by other investment advisors for similar services.

Further, clients should be aware that the person recommending the program to the client may receive compensation as a result of the client’s participation in the program, that the amount of this compensation may be more than what the person would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services, and that the person may therefore have a financial incentive to recommend the wrap fee program over other programs or services.

The investment products available to be purchased in the program can be purchased by clients outside of a program account, through broker-dealers or other investment firms not affiliated with Capital Advisors.

Clients should refer to each program’s Form ADV Part 2A Appendix 1 for more information regarding the wrap fee program and related fees. There are no material differences between the Capital Advisors managed wrap accounts and other accounts. The wrap relationship exists primarily because of the preference of some clients to not be subject to separate transaction charges.

## **Client Assets**

As of December 31, 2022, Capital Advisors managed \$4,258,161,897 in assets. \$4,245,271,614 is managed on a discretionary basis, and \$12,890,283 is managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **Compensation**

Capital Advisors bases its fees on a percentage of assets under management, hourly and fixed fees, which are described below.

#### **Compensation – Investment Advisory Services**

Fees for Investment Advisory Services associated with internally managed investment strategies are 1.00% (100 basis points) annually on the average daily market value of the assets held in the portfolio, payable quarterly, in arrears.

#### **Compensation – Financial Planning Services**

Capital Advisors provides financial planning services to clients based on an hourly fee with a set minimum. At this time, these fees are waived.

Through the use of a Financial Planning Agreement, we provide the client with an estimate of the fee amount indicating fixed minimum base rate of \$2,500 plus an additional \$200 per hour for a plan requiring more than ten hours of completion. The estimate will provide client with anticipated completion guidelines according to the nature and complexity of plan and financial planning services that can be expected. Typically, a flat rate of \$1,200 is charged at the beginning of the engagement. The balance is due and payable at the completion of the financial plan.

The fees for financial planning services may be reduced and or waived determined by individual circumstances.

#### **Compensation – Investment Companies (Mutual Funds)**

Capital Advisors may recommend the use of CIAOX (the Fund), as suitable, to its investment advisory clients. Capital Advisors receives 0.75% (75 basis points) of the market value of CIAOX on an annual basis, payable monthly in arrears. Capital Advisors does not charge an additional investment advisory fee on the portion of a client's assets that are invested in the funds.

### **Calculation and Payment**

The specific manner in which fees are charged by Capital Advisors is established in a client's written agreement with Capital Advisors. Capital Advisors will generally calculate fees on a quarterly basis. Clients may also elect to be invoiced directly for fees or to authorize Capital Advisors to directly debit fees from client accounts.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **Termination of Agreement**

Capital Advisors may terminate any agreement at any time by notifying the client in writing. If the client made an advance payment, Capital Advisors will refund any unearned portion of the advance payment.

### **Cash Balances**

Some of your assets may be held as cash and remain uninvested. Holding a portion of your assets in cash and cash alternatives, i.e., money market fund shares, may be based on your desire to have an allocation to cash as an asset class, to support a phased market entrance strategy, to facilitate transaction execution, to have available funds for withdrawal needs or to pay fees or to provide for asset protection during periods of volatile market conditions. Your cash and cash equivalents will be subject to our investment advisory fees unless otherwise agreed upon. You may experience negative performance on the cash portion of your portfolio if the investment advisory fees charged are higher than the returns you receive from your cash.

## Retirement Plan Rollover Recommendations

As part of our investment advisory services to our clients, we may recommend that clients roll assets from their employer's retirement plan, such as a 401(k), 457, or ERISA 403(b) account (collectively, a "Plan Account"), to an individual retirement account, such as a SIMPLE IRA, SEP IRA, Traditional IRA, or Roth IRA (collectively, an "IRA Account") that we will advise on the client's behalf. We may also recommend rollovers from IRA Accounts to Plan Accounts, from Plan Accounts to Plan Accounts, and from IRA Accounts to IRA Accounts.

If the client elects to roll the assets to an IRA that is subject to our advisement, we will charge the client an asset-based fee as set forth in the advisory agreement the client executed with our firm. This creates a conflict of interest because it creates a financial incentive for our firm to recommend the rollover to the client (i.e., receipt of additional fee-based compensation). Clients are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if clients do complete the rollover, clients are under no obligation to have the assets in an IRA advised on by our firm. Due to the foregoing conflict of interest, when we make rollover recommendations, we operate under a special rule that requires us to act in our clients' best interests and not put our interests ahead of our clients'.

Under this special rule's provisions, we must:

- meet a professional standard of care when making investment recommendations (give prudent advice);
- never put our financial interests ahead of our clients' when making recommendations (give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that we give advice that is in our clients' best interests;
- charge no more than a reasonable fee for our services; and
- give clients basic information about conflicts of interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, clients should consider the costs and benefits of a rollover. Note that an employee will typically have four options in this situation:

1. leaving the funds in the employer's (former employer's) plan;
2. moving the funds to a new employer's retirement plan;
3. cashing out and taking a taxable distribution from the plan; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, we will provide clients with a written explanation of the advantages and disadvantages of both account types and document the basis for our belief that the rollover transaction we recommend is in your best interests.

## General Information on Compensation

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low-cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. Lower fees for comparable services may be available from other sources.

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.



All fees paid to Capital Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders with the exception of investment in the Funds, as described above. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other 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 services of Capital Advisors. In that case, the client would not receive the services provided by Capital Advisors which are designed, among other things, to assist the client in determining which mutual funds or sub-accounts are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds/sub-accounts and the fees charged by Capital Advisors to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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

In addition to Capital Advisors investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, brokerage commissions, transaction fees, and other related costs and expenses. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Capital Advisors fee, and Capital Advisors shall not receive any portion of these commissions, fees, and costs.

### **Fees and Expenses (12b-1 fees)**

Some client accounts may hold shares of investment companies, including money market funds, closed-end funds, and/or exchange-traded funds (Funds). Those funds have their own expenses, including certain advisory, distribution or other fees, and a client account invested in those funds will indirectly bear a portion of those expenses. Each of the fees discussed above is in addition to the Firm's management fee. Funds may make payments to Capital Advisors or Investment Advisor Representatives (IARs) of Capital Advisors, pursuant to a Rule 12b-1 distribution plan or other arrangement as compensation for distribution, shareholder services, recordkeeping, or administrative services. These payments may be paid from the fund's total assets or may be paid by a fund's adviser or distributor. The Rule 12b-1 distribution plan and other fee arrangements will be disclosed upon request and are disclosed in the applicable fund's prospectus.

Capital Advisors uses its best efforts to purchase lower cost fund shares but in certain instances cannot because the fund company does not offer institutional class non 12b-1 fee paying funds or does not contractually offer them.

A conflict of interest exists as Capital Advisors and its IARs may be motivated to sell funds that generate higher fees, including 12b-1 fees. The client should review the fees charged by the funds and the fee charged by Capital Advisors to understand the total fees.

### **Fees and Expenses (Mutual Funds Share Class Selection)**

Funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, class B and class C shares), funds may also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets

certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes.

Capital Advisors and its IARs have a financial incentive to recommend or select share classes that have a 12b-1 fee because such share classes generally result in higher compensation. Capital Advisors has taken steps to minimize this conflict of interest, including by providing its IARs with guidance on this issue, as well as by conducting periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that might be more appropriate given the client's particularized investment objectives and any other appropriate considerations relevant to mutual fund share class selection. Regardless of such considerations, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

The appropriateness of a particular fund share class selection is dependent upon a range of different considerations, including but not limited to: the asset-based advisory fee that is charged, whether transaction charges are applied to the purchase or sale of funds, operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the fund sponsors and Capital Advisors' ability to access particular share classes through the custodian), share class eligibility requirements; and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

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

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Neither Capital Advisors nor any of its supervised persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Capital Advisors does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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#### **Item 7: Types of Clients**

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##### **Types of Clients**

As described in Item 4, Capital Advisors' clients include individuals, high net worth individuals, institutions, pension and profit-sharing plans, charitable organizations, investment companies, and corporations and other business entities.

##### **Account Minimums**

Capital Advisors requires a minimum account of \$250,000 for investment advisory clients. The minimum account size is negotiable. The minimum account size may be waived for clients referred to Capital Advisors under various Wrap Fee Programs. In addition, Capital Advisors may group certain related client accounts for the purposes of achieving the minimum account. Clients with similar assets may have differing fee schedules.

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

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##### **Methods of Analysis**

Capital Advisors' Investment and Research Committee (the Committee) combines fundamental analysis with quantitative disciplines to manage risk. Capital Advisors continuously tracks objective marketers for valuation, trend and risk in markets to guide tactical adjustments in the risk profile of client portfolios. The Committee screens a universe of approximately 1,000 stocks weekly to search for markers for low valuation and near-term positive change.

Stocks that score well in both of these measures may be subjected to fundamental analysis, including a study of public filings, analyst reports, industry publications, quantitative detail, and conversations with management.

## Investment Strategies

Capital Advisors generally offers seven core portfolio strategies that incorporate a broad spectrum of asset classes, as well as both active and passive investment philosophies. Capital Advisors encourages portfolio managers to mix and match among these seven portfolios "building blocks" to produce highly customized portfolio solutions for clients' unique investment objectives and risk constraints.

**Managed Equity Growth Strategy:** Capital Advisors built its reputation with its actively managed stock strategy more than 30-years ago. Capital Advisors combines rigorous fundamental analysis with quantitative disciplines to create strategically focused portfolios of 30-40 large-cap and mid-cap growth stocks for investors.

**Fixed Income Strategy:** Capital Advisors' approach to managing bond portfolios is distinguished by the degree of portfolio customization that is enabled for Capital Advisors' clients. Within an overall philosophy that emphasizes preservation of, Capital Advisors constructs clients' bond portfolios around one of three core designs: a "Liquidity" strategy for clients seeking low volatility and ready access to capital; an "Income" structure intended to maximize monthly cash flows and an "Aggregate" approach that strikes a balance between liquidity and income objectives.

**Equity Dividend Strategy:** The Equity Dividend Strategy seeks a high level of income from the equity asset class by investing in a concentrated portfolio of 15-20 stocks that aim to pay above average dividends. The strategy is diversified among multiple industry sectors, seeking companies with stable business models, strong competitive positions and financial strength to support each company's dividend policy.

**Tactical Global Growth Strategy:** The Tactical Global Growth Strategy maintains exposure to 10 equity asset sectors at all times - large-cap growth, large-cap value, mid-cap, small-cap, international, emerging markets, Japan, natural resources, real estate and high-yield debt. The strategy invests in exchange traded funds, or "ETFs" that track passive indexes for each of these 10 asset sectors.

**Tactical Global Income Strategy:** The Tactical Global Income Strategy maintains exposure to eight equity asset sectors at all times - large-cap, mid-cap, small-cap, international, and Japan, natural resources, real estate and high-yield debt. The strategy invests in exchange traded funds, or "ETFs" that track passive indexes for each of these eight asset sectors.

A key differentiating factor for the Tactical Global Income Strategy is its use of dividend-weighted indexes to track each market sector. The ETFs included in the strategy emphasize stocks with higher dividend payments to produce an income stream for the portfolio in addition to its objective of long-term appreciation.

**Tactical Dynamic Allocation Strategy:** The Tactical Dynamic Allocation Strategy adjusts its risk profile dynamically among five equity market sectors - U.S. stocks', international stocks, emerging markets, real estate and commodities- and one fixed income sector- U.S. Investment-grade bonds. The strategy invests in exchange traded funds, or "ETFs" that track passive indexes for each of these six sectors.

The strategy utilizes a quantitative marker called a "moving average" to measure the trend in each of the five equity sectors on a monthly basis. When the trend for a given equity, sector is positive the portfolio retains a position in an ETF that tracks that sector. When the trend is negative the ETF for that sector is sold, and the proceeds are reinvested into an ETF that tracks domestic investment-grade bonds.

Changes to the portfolio occur monthly based upon a monthly assessment of moving average markers for each sector in the portfolio. Total equity exposure can range from a minimum weighting of 10% when all five equity sectors indicate a negative trend, up to a maximum weighting of 98% when all five sectors are trending higher.

**International Focus Strategy:** The International Focus strategy invests in the international equity asset class with specific factor tilts toward value, momentum and market capitalization. The portfolio is comprised of five exchange traded funds (ETFs) that offer exposure to both developed and emerging markets. Two of the five ETFs filter international stocks for low valuation; two ETFs filter international stocks for price momentum; and one ETF emphasizes small and mid-cap stocks outside the United States.

Capital Advisors may recommend investment vehicles such as individual equity or fixed income securities, mutual funds, and international investments. Capital Advisors may recommend certain private equity limited partnerships, non-publicly traded stocks and hedge funds for clients meeting certain investor criteria.

Capital Advisors reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. Capital Advisors may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Cybersecurity Risk:** A breach in cyber security refers to both intentional and unintentional events that may cause an account to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause an account to incur regulatory penalties, reputational damage, and additional compliance costs associated with corrective measures, and/or financial loss.
- **Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

## **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Capital Advisors or the integrity of Capital Advisors' management. Capital Advisors has no information to disclose applicable to this Item.

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

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### **Commodities and Futures**

Neither Capital Advisors nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Broker-Dealer / Registered Representatives**

Capital Advisors is not registered as a broker-dealer.

Shares of CIAOX, the investment company (mutual fund) managed by Capital Advisors, are distributed by Quasar Distributors, LLC. CIAOX shares are custodied with U.S. Bancorp Fund Services.

### **Banks**

Monty L. Butts, Senior Vice President- Fixed Income, is a Director of First National Bank of Broken Arrow (FNBBA) in Broken Arrow, OK, an unaffiliated bank. Monty L. Butts receives nominal compensation for his role as a Board Member. This position may result in unpaid referrals between Capital Advisors and FNBBA. Capital Advisors and FNBBA have common clients.

### **Investment Companies (Mutual Funds)**

Capital Advisors serves as investment advisor to the Capital Advisors Growth Fund (CIAOX), (the Fund), an investment company registered under the Investment Company Act. The Fund is distributed by Quasar Distributors, LLC. This advisory relationship could create material conflict of interest with clients, as Capital Advisors may recommend the Fund over regular investment advisory services or vice versa.

### **Lawyer or Law Firm**

Sean Hennessee is an Attorney. He does not practice law outside of their roles at the Firm.

### **Accountant or Accounting Firm**

William Jacob Freudenrich is a Certified Public Accountant (CPA). He does not practice traditional accounting outside of his role at the Firm.

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

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### **Code of Ethics**

Capital Advisors employees must comply with a Code of Ethics and Statement for Insider Trading and a similar Investment Company Code for CIAOX (collectively, the Code). Capital Advisors' Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Debra L. Konieczny, Chief Compliance Officer, reviews all employee trades each quarter. Her trades are reviewed by the Keith C. Goddard, Chief Executive Officer and Chief Investment Officer. These reviews ensure that personal trading does not affect the markets, and that clients of Capital Advisors receive preferential treatment.

Capital Advisors' employees must acknowledge the terms of the Code at least annually. Any individual not in compliance with the Code may be subject to termination.

Clients and prospective clients can obtain a copy of the Code by contacting Debra L. Konieczny, Chief Compliance Officer at (918) 599-0045.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

Capital Advisors and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. These trades may not occur ahead of client trades. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of Capital Advisors will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Capital Advisors' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code, and to reasonably prevent conflicts of interest between Capital Advisors and its clients.

### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

Capital Advisors and its employees may recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

It is Capital Advisors' policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. Capital Advisors will also not cross trades between client accounts.

### **Participation or Interest in Client Transactions – (None other than as Adviser to Investment Company (Mutual Fund))**

If Capital Advisors recommends a purchase or sale in a security in which a related person has some financial interest, full disclosure is given to the client. As disclosed in Item 4, Capital Advisors serves as the investment adviser to an investment company (mutual fund) fund. Full disclosure on Capital Advisors' participation in client transactions is provided via the prospectus for Fund.

### **Participation or Interest in Client Transactions – Aggregation**

Capital Advisors and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with Capital Advisors' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Capital Advisors will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

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## **Item 12: Brokerage Practices**

### **Research and Other Soft Dollar Benefits**

Capital Advisors does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits”.

### **Brokerage for Client Referrals**

Capital Advisors receives client referrals from broker/dealers (Program broker/dealers), through various broker/dealer referral programs which are designed to help investors find an independent investment advisor. The Program broker/dealers are independent of and unaffiliated with Capital Advisors. The Program broker/dealers do not supervise participating independent investment advisors and have no responsibility for Capital Advisors’ management of client portfolios, advisors, other advice and/or services. Capital Advisors pays fees to Program broker/dealers to receive client referrals through these programs.

Capital Advisors pays the Program broker/dealers a fee for so long as the referred client’s account remains in custody at the Program broker/dealer. Program fees are billed to Capital Advisors and may be increased, decreased or waived by the Program broker/dealers from time to time. Program fees are paid by Capital Advisors and not by the client. Clients are not charged investment advisory fees greater than the fees Capital Advisors charges clients not referred through the Programs.

The Program broker/dealers generally do not charge the client separately for custody but receives compensation from the client in the form of commissions or other transaction-related compensation on trades executed for client accounts. Clients may also pay the Program broker/dealers a fee for clearance and settlement of trades. Brokerage commissions and/or transaction fees charged by Program broker/dealers are exclusive of and in addition to Capital Advisors’ investment advisory fees.

Capital Advisors may have an incentive to execute trades through a Program broker/dealer rather than another broker/dealer because of the referral arrangement. Capital Advisors pays the Program broker/dealer for the client referrals and in turn receives investment advisory fees from those clients. Trades for accounts custodied at the Program broker/dealer may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers. Capital Advisors acknowledges its duty to seek best execution of trades for client accounts. Capital Advisors mitigates this incentive through a rigorous best execution review of Program broker/dealers (see Directed Brokerage - Best Execution), in addition Capital Advisors does not charge clients investment advisory fees greater than the fees Capital Advisors charges clients not referred through the Programs.

As a fiduciary, Capital Advisors always endeavors to act in its clients’ best interests.

### **Client Directed Brokerage**

Capital Advisors generally recommends that investment advisory clients establish brokerage accounts with a selection of multiple broker/dealers, all of which are FINRA-registered, SIPC members, to maintain custody of clients' assets and to effect trades for their accounts. Capital Advisors is independently owned and operated and not affiliated with any broker/dealers.

Clients may come to Capital Advisors with an existing brokerage relationship and direct Capital Advisors to execute their trades through that broker/dealer. This brokerage direction must be requested by the client in writing. The client will negotiate terms and arrangements for the account with that broker/dealer, and Capital Advisors will not seek better execution services or prices from other broker/dealers or be able to “batch” client transactions for execution through other broker/dealers with orders for other accounts managed by Capital Advisors. By directing brokerage, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, Capital Advisors may decline a client’s request to direct brokerage if, in Capital Advisors’ sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

## Directed Brokerage and Other Economic Benefits

Capital Advisors participates in the institutional advisor program (the Program) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (TD Ameritrade), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Capital Advisors receives some benefits from TD Ameritrade through participation in the Program. (Please see the disclosure under Item 14 below.)

Certain Program broker/dealers provide Capital Advisors with access to institutional trading which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them.

Capital Advisors may receive from Program broker/dealers, at no cost, products and services enabling Capital Advisors to better monitor client accounts maintained at the Program broker/dealer and intended to help Capital Advisors manage and further develop its business enterprise. Many of these services generally may be used to service all or a substantial number of Capital Advisors' accounts, including accounts not maintained at Program broker/dealers. Capital Advisors may receive this support without cost because of the portfolio management services rendered to clients that maintain assets at the Program broker/dealer. The support provided may benefit Capital Advisors, but not its clients directly.

Program broker/dealers provide Capital Advisors with includes brokerage, 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. It also includes software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Capital Advisors' fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. These services may also include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Program broker/dealers may make available, arrange and/or pay for these types of services rendered to Capital Advisors by independent third parties.

In fulfilling its duties to its clients, Capital Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Capital Advisors' receipt of economic benefits from a broker-dealer may create a conflict of interest since these benefits may influence Capital Advisors' choice of a Program broker/dealer over another broker-dealer that does not furnish similar services, software and systems support.

Generally speaking, all of Capital Advisors' clients benefit from research services which may be provided to Capital Advisors by the brokers and dealers who effect transactions for Capital Advisors' client accounts. Not all such research services, however, may be used by Capital Advisors in connection with the client accounts that paid commissions to the brokers or dealers providing such research services. In addition, instances may arise where (a) research services obtained in connection with transactions affected for a particular client's account benefit other clients of Capital Advisors, or (b) not all research services may be used by Capital Advisors after payment of commissions by clients. Capital Advisors' receipt of research services from brokers and dealers who effect transactions for Capital Advisors' client accounts does not reduce Capital Advisors' customary research activities.

## Administrative Services

Capital Advisors has entered into an Investment Advisor Custodial Support Services Agreement with U.S. Bank Global Fund Services where the Firm will provide certain back office, administrative, custodial support and clerical services as they relate to Capital Advisors Growth Fund (CIAOX). In consideration for these services U.S. Bank has agreed to pay Capital Advisors a fee on CIAOX NTF mutual fund assets.



The services that Capital Advisors has agreed to provide include the following: clerical and ministerial assistance in opening client accounts, clerical and ministerial assistance in maintaining client accounts and facilitating asset transfers and money movement directed by a client, clerical and ministerial assistance in reconciling and assisting in updating of client account information, clerical and ministerial assistance in connection with customer inquiries and account information research, clerical and ministerial assistance to clients in connection with the use of brokerage services such as periodic investment plans, periodic withdrawal plans, and check writing privileges, promptly notifying the broker/dealers in writing of any written customer complaint relating to the broker/dealer's services and other shareholder services as the parties may agree in writing from time to time.

### **Directed Brokerage – Best Execution**

The commissions paid by Capital Advisors' clients shall comply with Capital Advisors' duty to obtain "best execution." However, a client may, as determined by the custodian, pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Capital Advisors determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. 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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Capital Advisors will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

As described above, if a client does not have an existing relationship with a Broker, Capital Advisors may suggest the use of and request the client to authorize discretion on an account established through a variety of brokerage firms.

In the case where a client has not directed their account to a specific Broker and Capital Advisors has discretion to direct the account, Capital Advisors negotiates brokerage fees on a case-by-case basis. Any negotiated discount is dependent upon the value of the services provided by the Broker and transaction execution. Capital Advisors does not adhere to any fixed guideline or formula in this regard. Capital Advisors does not transact brokerage business based solely upon negotiated discount but also any discount negotiated is relative to the value of services provided. The clients of Capital Advisors may pay commissions higher than those obtainable from other Brokers as a result of this analysis.

Capital Advisors' fundamental policy is to seek for its clients what, in its judgment, will be the best overall execution of purchase or sale orders and most favorable net prices in securities transactions consistent with its judgment as to the business qualifications of the various broker or dealer firms with which Capital Advisors may do business. Decisions with respect to the market in which the transaction is to be completed, the form of transaction, and the allocation of orders among brokers or dealers are made in accordance with this policy.

With respect to any brokerage commissions charged by executing broker dealers, for investment management accounts, Capital Advisors will continually review the commission charges to ensure they are reasonable within the current marketplace. As permitted by law, and specifically by the provisions of Section 28(e) of the Securities Exchange Act of 1934, the amount of commission paid for by each client for a transaction placed by Capital Advisors may be higher than the cost if executed by an alternative broker/dealer. In such cases, Capital Advisors will use its best efforts to determine that the higher commissions are reasonable in relation to the value of the brokerage and research services provided by the executing broker-dealer viewed in terms of either a particular transaction or Capital Advisors' overall responsibilities to its other clients.

As described above, broker/dealers may make referrals to Capital Advisors. In the event a specific Broker directs a client to Capital Advisors, the client generally elects to remain with that Broker. However, it is the client's election and typically the client has already negotiated their commission rate with that Broker. However, if requested, Capital Advisors will negotiate the commission.

Because Capital Advisors may receive the benefit of referrals from such Brokers, clients may wish to satisfy themselves that the Broker executing the trades is offering adequate price and execution of transactions. Also, as a result of the client's direction to execute trades through a specific Broker, the client may pay commissions higher than obtainable from other Brokers.

### **Fixed Income – Best Execution**

Capital Advisors seeks best execution and best allocation for clients who participate in customized bond portfolios. Capital Advisors constructs managed bond strategies of individual corporate bonds or individual municipal bonds within one of three disciplines: Liquidity, Aggregate, or Income. Specific bonds are purchased from inventory available, as a best fit, determined by the discipline of each strategy. Capital Advisors seeks best execution from available market inventories, as a best fit, through multiple bond trading platforms. The intent of the allocation within each individual portfolio is to seek as similar as possible, alignment to one of three predetermined strategies.

### **Directed Brokerage – Wrap Fee Programs**

As disclosed in Item 4, clients may participate in wrap fee programs. In evaluating a wrap-fee program, a client should recognize that brokerage commissions for the execution of transactions in their account are not negotiated. Transactions are effected net, i.e., without commission and a portion of the wrap fee is generally considered to be in lieu of commissions. Trades are generally expected to be executed only with the broker dealer with which the client has entered into the wrap fee arrangement.

Capital Advisors may not, therefore, be free to seek best price and execution by placing transactions with other broker dealers. Capital Advisors' experience indicates that certain broker dealers under clients' wrap fee agreements generally offer best price for transactions in listed equity securities, but no assurance can be given that such will continue to be the case with those or other broker dealers which may offer wrap fee arrangements, nor with respect to transactions in other types of securities. The client may wish to ensure that the broker dealer offering the wrap-fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that depending on the wrap-fee charged by the broker dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services were they to be provided separately and if the Firm were free to negotiate commissions and seek best price and execution of transactions for the client's account.

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

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### **Reviews**

Capital Advisors' Investment and Research Committee (committee) is comprised of Keith C. Goddard, Chief Executive Officer and Chief Investment Officer; G. Andy Brown, President; Monty L. Butts, Senior Vice President-Fixed Income, Mitchell G. Kaczmarek, Director of Fixed Income and Steven V. Soranno, Director of Equity Research. The Committee meets regularly to discuss overall firm investment philosophy, securities research and selection. Capital Advisors' Allocation Team (CAT) serves as a liaison between the Investment and Research Committee and Capital Advisors' portfolio managers. The CAT coordinates the asset allocation and portfolio implementation process for consistency and modifications as directed by updates to client's investment objectives and risk tolerance.

Client account information, including quantities and values of securities held, costs and the amounts of cash and cash equivalents for each client, is maintained in Capital Advisors' portfolio accounting system. The information is screened for unusual trends, including but not limited to changes in weighting of holdings, cash positions and/or style shifts. Accounts which vary from normal ranges are reviewed in more detail for possible rebalancing. Typically, client portfolios with similar investment objectives are reviewed as a group on an on-going basis and will be reviewed as a matter of practice rather than pursuant to a triggering factor.

The Committee and/or Portfolio Managers also consider, when reviewing an individual account, such things as goals, tax concerns, and needed yield. In addition, each client account is reviewed periodically for compliance with the investment policies, suitability of investments and client investment objectives. Other factors that would trigger a more frequent review are material market events or changes in a client's personal situation. Clients are obligated to promptly notify Capital Advisors of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs.

### **Review Triggers**

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

### **Reporting**

Clients also receive quarterly account statements from qualified brokers/custodians and may also receive trade confirmations and monthly statements. Statements may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance.

Clients receive annual statements from Capital Advisors.

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

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### **Other Compensation**

Capital Advisors does not receive any formal economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals – Solicitation Arrangements**

Capital Advisors may enter into written arrangements to pay cash referral fees to individuals or companies (solicitors) who refer prospective clients to the Firm. There will be a written agreement between Capital Advisors and the solicitor, which will clearly define the duties and responsibilities of the solicitor under this arrangement. In addition, either the solicitor or Capital Advisors will provide a written disclosure document, which explains to the prospective client the terms and compensation structure under which the solicitor is working with Capital Advisors. Capital Advisors will ensure that a copy of Capital Advisors' Form ADV Part 2 be delivered to the prospective client and will obtain a written acknowledgement from the client that both the solicitor's disclosure document and Capital Advisors' Form ADV Part 2 have been received.

### **Compensation – Client Referrals – Solicitation Arrangements - Fidelity**

***Participation in Fidelity Wealth Advisor Solutions®.*** Capital Advisors participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Capital Advisors receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Capital Advisors is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Capital Advisors, and FPWA has no responsibility or oversight for Capital Advisors' provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a promoter for Capital Advisors, and Capital Advisors pays referral fees to FPWA for each referral received based on Capital Advisors' assets under management attributable to each client

referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Capital Advisors does not constitute a recommendation or endorsement by FPWA of Capital Advisors' particular investment management services or strategies. More specifically, Capital Advisors pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Capital Advisors has agreed to pay FPWA an annual program fee of \$50,000 to participate in the WAS Program. These referral fees are paid by Capital Advisors and not the client.

To receive referrals from the WAS Program, Capital Advisors must meet certain minimum participation criteria, but Capital Advisors may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Capital Advisors may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Capital Advisors may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Capital Advisors as part of the WAS Program. Under an agreement with FPWA, Capital Advisors has agreed that Capital Advisors will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover promotion fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Capital Advisors has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Capital Advisor's fiduciary duties would so require, and Capital Advisors has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, Capital Advisors may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Capital Advisors duty to select brokers on the basis of best execution.

### **Compensation – Client Referrals – Solicitation Arrangements - Charles Schwab & Co. Inc.**

Capital Advisors receives client referrals from Charles Schwab & Co. Inc. (Schwab) through Capital Advisors participation in Schwab Advisor Network (the Service) which 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 Capital Advisors and has no responsibility for Capital Advisors management of client's portfolios or advisor's other advice or services. Capital Advisors pays Schwab fees to receive client referrals through the Service. Capital Advisors participation in the Service may raise potential conflicts of interest described below.

Capital Advisors pays Schwab Participation Fees 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. Participation Fees are a percentage of the assets in the client's account. Capital Advisors pays Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. Participation fees are billed to Capital Advisors quarterly and may be increased, decreased or waived by Schwab from time to time. Participation Fees are paid by Capital Advisors and not by the client. Capital Advisors does not charge clients referred through the Service fees or costs greater than the fees or costs Capital Advisors charges clients with similar portfolios who were not referred through the Service.

Capital Advisors generally pays 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 Capital Advisors 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 Advisor's 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 at Schwab.

For accounts of Capital Advisors clients maintained in custody at Schwab, Schwab generally does not charge the client separately for custody but receives compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executes for the client's account. Clients also pay Schwab a fee 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. Nevertheless, Capital Advisors 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**

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### **Custody – Fee Debiting**

Clients may authorize Capital Advisors (in the client agreement) to debit fees directly from the client's account at the broker dealer, bank or other qualified custodian (custodian). With the exception of the ability to debit client account for advisory fees, Capital Advisors does not and will not have custody of clients' funds or securities. Client investment assets will be held with a custodian agreed upon by the client and Capital Advisors. The custodian is advised in writing of the limitation of Capital Advisors' access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Capital Advisors.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that Capital Advisors provides. Capital Advisors' statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Custody – First Party Money Transfers**

Clients may provide us with written ongoing authorization to wire money between the client's accounts held with the custodian directly to an outside financial institution (i.e., a client's bank account). A copy of this authorization is provided to the custodian. The authorization includes the client's account number(s) at the outside financial institution(s) as required.

### **Custody – Third Party Money Transfers**

Clients may provide Capital Advisors with a standing letter of authorization (or similar asset transfer authorization) which allows Capital Advisors to disburse funds on behalf of clients to third parties. Capital Advisors ensures the following conditions are in place when deemed to have custody via third party money movement:

The client provides a Written Authorization to the custodian that includes all appropriate information as to how the transfer should be directed;

- The Written Authorization includes instruction to direct transfers to the third party either on a specified schedule or from time to time;
- Appropriate verification is performed by the custodian, along with a transfer of funds notice to the client promptly after each transfer;

- The client may terminate or change the instruction to the custodian;
- Capital Advisors has no authority or ability to designate or change any information about the third party contained in the instruction;
- Capital Advisors maintains records showing that the third party is not a related party of the Firm or located at the same address as Capital Advisors; and
- The custodian sends the client a written initial notice confirming the instruction and an annual written confirmation thereafter.

### **Custody – Mutual Funds**

As described in Item 4, Capital Advisors serves as the investment advisor to the mutual fund, Capital Advisors Growth Fund. All of the fund assets are custodied at U.S. Bank, N.A.

U.S. Bank, N.A. is the only custodian approved by the board of Advisor Series Trust, of which the fund is a series. The principal shareholders of the fund are identified as Charles Schwab & Co. and National Financial Services.

### **Item 16: Investment Discretion**

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Through the investment advisory agreement, Capital Advisors may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows Capital Advisors to execute trades on behalf of clients.

When such limited powers exist between Capital Advisors and the client, Capital Advisors has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, Capital Advisors may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Capital Advisors in writing.

If Capital Advisors has not been given discretionary authority, Capital Advisors consults with the client prior to each trade.

### **Item 17: Voting Client Securities**

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Capital Advisors votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy.

Capital Advisors acts as a discretionary investment adviser for various clients, including clients governed by the Employee Retirement Income Security Act of 1974 (ERISA) and registered open-end investment companies (mutual funds).

Capital Advisors' authority to vote proxies or act with respect to other shareholder actions is established through the delegation of discretionary authority under our investment advisory agreements. Therefore, unless a client (including a named fiduciary under ERISA) specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, Capital Advisors will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets. All proxies received by Capital Advisors are voted in a timely manner and in a manner consistent with Capital Advisors' policies and procedures, acting in the client's best interests. Clients can obtain a copy of Capital Advisors' proxy voting policies and procedures and information about proxy voting decisions by contacting Debra L. Konieczny, Chief Compliance Officer at (918) 599-0045.

### **Item 18: Financial Information**

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Capital Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Capital Advisors is not required to provide a balance sheet; Capital Advisors does not require prepayment of fees of both more than \$1,200 per client, and more than six months in advance.