

Disclosure Brochure
(Form ADV, Part II)

Chaney Capital Management
File No. 801-67807
3500 188th Street SW, Suite 328
Lynnwood, WA 98037

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Chaney Capital Management
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ADVISORY SERVICES AND FEES

Chaney Capital Management, Inc. (“CCM” or “Adviser”) is a fee-based Registered Investment Adviser. The term “fee only” means the Adviser does not accept commissions for the implementation of portfolio investments. The individuals authorized to provide investment advisory services on behalf of the Adviser are known as “*Advisory Representatives*”.

Chaney Capital Management is committed to helping its clients build, manage, and preserve their wealth, and to provide assistance in helping clients to achieve their stated financial goals. The Adviser may offer an initial complimentary consultation to review the client’s interests, needs and objectives and to discuss the services available. Investment Advisory Services are initiated only after the client and Adviser execute a client agreement.

Chaney Capital Management offers investment and financial advice through Investment Management and Consultation Services.

Investment Management

Chaney Capital Management provides Investment Management Services whereby the Adviser develops an individualized investment plan which provides the client with recommendations for specific investment strategies in addition to ongoing Management Services. Investment styles may vary based upon the client’s stated needs, objectives, goals, time horizon and risk tolerance.

An initial and data-gathering interview(s) are completed as part of the first phase of the Investment Management process in an effort to determine the client’s individual needs, goals, objectives, time horizons, risk tolerance, in addition to any other information the client may provide. The Adviser will request input and information from the client, including; financial information including past financial history, present financial condition, and the investment goals. These may include planning for short-term goals (such as college funding) or for long-term goals (such as retirement planning) or other segments of an investment plan that may be desired. The information gathered for review and assessment may vary, depending upon the individual needs and objectives as stated by the client. Information presented by the client will be deemed reliable and current. The Adviser may also request the names and relationships of other Advisers (*e.g.*, attorney, accountant, banker, etc.), family background and makeup, and anything else which may affect the client economically, based upon what information is reported by the client. The Adviser may consider various investment programs that may assist the client in meeting stated investment objectives. The nature of services is tailored to the type of client and is agreed upon at the time of engagement.

Underlying investments of portfolios are reviewed frequently (perhaps daily; no less than quarterly). Client portfolios are generally reviewed on a quarterly basis, however reviews

could also occur at the time of significant new deposits or withdrawals, material changes in client's financial information, significant changes in the market, as often as the client may prefer as agreed to at engagement, or at the Adviser's discretion. Reviews entail analyzing client portfolios, securities, sensitivity to overall markets, economic changes, investment results and asset allocation, etc., to help ensure the investment strategy and expectations are structured to continue to meet clients' stated needs and objectives.

Clients are obligated to contact the Adviser promptly if there has been a change in the client's financial situation as new information may warrant a review or change in the investment strategies. Clients may call the office at any time during normal business hours to discuss the client's account, financial situation or investment needs directly with Stephen J. Chaney, the President and Chief Compliance Officer. The Adviser requests client contact no less than annually. Each year, the Adviser will generally request current financial status information from the client to determine if there have been any changes to the client's financial situation, unless information has been gathered throughout the year with frequent contact between the client and Adviser.

Clients will receive monthly or quarterly account statements directly from their custodian or brokerage firm in addition to transactional statements. Chaney Capital Management may prepare written reports, composite reports, and post-meeting communications, at its discretion.

Clients will have a direct and beneficial interest in his/her securities, rather than an undivided interest in a pool of securities.

Chaney Capital Management may have limited discretionary authority to execute trades. Alternatively, clients are welcome to implement investment recommendations and advice, in whole or in part, through the financial service provider of their choice.

Consultation Services

In addition to Investment Management Services, Chaney Capital Management can provide Consultation Services offered for an hourly or fixed fee project basis for those clients who do not desire Investment Management Services. Consultation Services are not ongoing unless a Consultation Agreement provides for annual retainer services.

The Adviser's hourly rate for Consultation Services is \$200. Fixed rate project fees may be quoted and agreed upon at the time of engagement. Project fees will vary based upon the time to be incurred by the Adviser in addition to the nature and complexity of services. Consultation Services are not ongoing and thus terminate upon the delivery of services unless the Consultation Agreement provides for annual retainer services.

The Adviser may request a project retainer to schedule services and fees will be due upon delivery of services. Where a retainer is requested, the retainer will be no more than 1/2 the proposed project fee. Annual retainers are invoiced quarterly or semi-annually in advance since the Adviser does not accept custody of client funds.

If the Adviser's ADV Part II/Brochure was not delivered at least 48 hours prior to engagement, Consultation Services may be terminated within 5 days of signature and with no fees due. In the case where any fees have been prepaid, such as in the form of a retainer, the client will receive a full refund. Otherwise, Consultation Services automatically terminate upon the delivery of services. Prior to the conclusion of services, either party may terminate the Agreement with written notice. Where services are terminated, clients agree to submit payment for all services rendered prior to receipt of such notice and within 10 days of receipt of the Adviser's invoice.

If advisory services provided are outside the scope of engagement, the Adviser's hourly fee will apply. For example, if the client's financial condition should change during the course of the engagement, such that re-analysis or other time and effort are required, additional fees will apply. Additional efforts that will result in fees will not be undertaken without the client's authorization. If the course of the project deviates substantially, the Adviser may request a new or amended engagement letter or client agreement.

Fees

Fees for Investment Management are computed at 2% of the assets under management and charged quarterly in arrears. Fees may be reduced from the rate of 2% per year when special circumstances or complexities exist, for pre-existing relationships, based upon the nature of services, or at the discretion of the Adviser, and agreed upon at the time of engagement.

If services are initiated at any time other than at the beginning of a calendar quarter, the advisory fee will be pro-rated. The above referenced fees are for Investment Management Services only. The Adviser reserves the right to provide pro-bono services or services for a reduced fee for family members, charitable organizations, community service organizations, or others.

Payment of Investment Management fees will be made directly to the Adviser (within 10 days of the date of the invoice) or through a debit directly from the client's account by the qualified custodian holding the client's fund or securities. However, the following criteria must be met in accordance with the United States Securities and Exchange Commission ("SEC") when payment is made by the custodian:

- 1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent qualified custodian and the authorization is limited to withdrawing contractually agreed upon investment advisory fees;
- 2) The frequency of the withdrawal shall be specified in the written authorization or agreement;
- 3) The custodian of the account shall be advised in writing of the limitation of the Adviser's access to the account;
- 4) The custodian agrees to send directly to the client, a statement, at least quarterly, indicating all amounts disbursed from the account, including the amount of advisory fees paid directly to the Adviser;

5) The client shall be able to terminate the written billing authorization or agreement at any time.

Custodians do not verify the calculation of investment advisory fees. Therefore, clients are advised to review their statements and contact Chaney Capital Management with any questions or concerns.

Chaney Capital Management does not and will not have custody of clients' funds (with the exception of fee deduction through qualified custodians, if authorized) or securities. Advisory fees in excess of \$500 are not collected for services to be performed more than six months in advance. Chaney Capital Management shall not be compensated on the basis of a share of capital gains or capital appreciation of any portion of the funds of client (no "*performance fees*").

A client may pay transaction fees and commissions to broker/dealers. With respect to clients' investments in mutual funds, clients pay additional fees on the mutual fund investments because the mutual funds also pay advisory and/or management fees to the funds' investment advisers or managers. A complete explanation of expenses charged by a fund is contained in the fund's prospectus and clients are strongly encouraged to read this disclosure carefully before investing. The Adviser does not receive any portion of these fees.

The client may terminate the Investment Management Agreement without penalty (full refund or no fees due) within 5 business days of signature if the Adviser's Form ADV Part II is not delivered at least 48 hours prior to engagement. Alternatively, Investment Management Services may be immediately terminated upon receipt of written notice by either party. If the termination occurs prior to the end of a calendar quarter, the client will be invoiced for services up until the effective date of termination. Otherwise, Investment Management Services are ongoing until notice of termination or renewal.

Privacy of Consumer Information

Chaney Capital Management, as an Investment Adviser, is covered under the definition of a "financial institution" under the Federal Gramm-Leach-Bliley Act. The Adviser is subject to the rules of privacy imposed under the Act and the SEC's Regulation S-P (the "Privacy Rule"). To maintain compliance with the Act and Regulation S-P every broker, dealer, investment company and registered investment Adviser is required to adopt policies and procedures reasonably designed to safeguard customer records and information. Chaney Capital Management maintains compliance under the Act and State privacy rules.

The types of information the Adviser may collect during the normal course of business may include:

- Information provided from applications, forms and other information provided to us either verbally or in writing, and include but are not limited to your name, address, phone number, account information, social security number, employment, assets, income and debt;
- Information about the client's transactions, accounts, trading activity and parties to transactions, beneficiary information, and health information (if informed);
- Information from other outside sources;
- Any other information that is deemed to be nonpublic personal information as defined by the Act and the state privacy rules.

The staff of CCM realizes that providing personal information is an act of trust and takes the issue of protecting privacy very seriously. Chaney Capital Management values its clients' trust and confidence. The Adviser does not sell nonpublic personal information we obtain from consumers or clients. All information provided by consumers to Chaney Capital Management, (its Associated Persons), and information and advice furnished by the Adviser to clients, shall be treated as confidential and shall not be disclosed to unaffiliated third parties, except as permitted by clients with written authorization, by application to facilitate the investment advisory services offered by the Adviser via an unaffiliated financial services provider, or as required by law or the rules and regulations of a regulatory body to which the firm and its staff are subject. Former clients are provided the same security as current Clients. Client records are maintained for the time period required by the SEC.

CCM maintains clients records in a controlled environment and records are only available to authorized persons of the Adviser who have a need to access client information in order to delivery advisory services or respond to client requests. Chaney Capital Management's records are secured during non-business hours.

Clients are welcome to discuss any questions or concerns regarding our privacy policies and procedures directly with the Adviser's President and Chief Compliance Officer, Stephen J. Chaney.

TYPES OF CLIENTS

Chaney Capital Management primarily provides investment services to individuals, trusts, estates and small businesses.

Information Regarding Certain Clients – Pension & Profit Sharing Plans

If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), the Adviser acknowledges that Adviser is a fiduciary within the meaning of the Act and the ERISA Client is a named fiduciary with respect to the control or management of the assets in the account. In each instance, the client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Adviser and the Adviser's principals, agents, and employees under those

insured under that bond and will deliver to the Adviser a copy of the governing plan documents. If the Account assets for which the Adviser provides services represent only a portion of the assets of an employee benefit plan, Client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

TYPES OF INVESTMENTS

Investments may include short-term instruments (i.e., T-Bills), stocks, bonds, ETFs, mutual funds or other investment vehicles. Most assets will be valued quarterly. Market values are provided by the client's custodian. In the rare instance when a market value is not readily available, the Adviser and client will seek a valuation from an independent third party.

CCM may provide advice through consultations on investments in partnerships. Consultation may be limited to review of the investment and offering documents for appropriateness and the discussion of the client's interest. However, the Adviser does not manage partnership investments.

METHODS OF ANALYSIS, SOURCES OF INFORMATION, AND INVESTMENT STRATEGIES

CCM reviews an investor's goals, time horizon, and risk tolerance through an interview process in an effort to determine a plan/portfolio that will best suit the investor's needs.

Consultations and a written questionnaire are often utilized for the purpose of data-gathering. The client's information is used to determine what investment recommendations are appropriate. The Adviser will rely on the information provided by the client and is not obligated to verify the accuracy of information or reports provided.

Investment strategies may be based upon a number of concepts and determined by the type of investor. Portfolios, advice and recommendations are based upon a client's stated goals, objectives, investment time horizon and risk tolerance using the information the client provides. Advice may include specific or overall investment information as determined by the client or the Adviser.

Investment strategies used to implement investment advice may include long-term strategies and primarily utilize a "buy and hold" philosophy. Investment strategies may include short term strategies, depending upon the individual needs and objectives as presented by the client. All proposed investment strategies are closely evaluated, in advance, to insure they are in keeping with the client's stated/written investment policy or directives.

Where services are limited in scope, such as they may be during Consultation Services, CCM's advice, recommendations and services may be limited by the amount of time given for the project and the information provided by the client. In this case, the total

financial and investment needs cannot be taken into consideration in light of the limited scope of the requested project.

CCM utilizes many resources of public information to include financial news and research materials. The Adviser also utilizes a number of computer databases available to professional Investment Advisers by subscription. These databases are reviewed on a regular basis.

Investment strategies may be based upon a number of concepts and determined by the type of investor. The concept of asset allocation or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities) is generally in the forefront of our strategies. Asset allocation seeks to achieve the most efficient diversification of investments, in an effort to help lessen risk and still produce a satisfactory long-term return. Since Chaney Capital Management believes that risk reduction is a key element to long-term investment success, asset allocation principles may be a key part of the Adviser's overall approach in preparing advice for clients, depending upon the stated desires of each client.

CCM acknowledges its duty to provide best execution under the circumstances available. The firm may aggregate (or bunch) trades when executing transactions for its various clients when available. "Bunching" is usually done in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. The Adviser will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the Adviser's Investment Management Agreement with each client for which trades are being aggregated. The Adviser must be able to reasonably believe that it can obtain best price by aggregating the trade.

Generally, the individualized nature of services provided by the Adviser is such that aggregation is not always available (perhaps few participants per transaction). However, the Adviser will undertake such trading procedures when possible. No client will be favored over any other client; each client participating in an aggregated order will participate at the average share price for all Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata, based upon each client's participation in the transaction. CCM will allocate trades on a pro-rata basis. If in a specific situation this is not possible (fractional shares), each incidence will be reviewed by the Principal to determine the appropriate action. Fees for CCM services may be higher or lower than may be available for similar services at other financial services firms.

Chaney Capital Management uses model portfolios of mutual funds, individual stocks, Exchange Traded Funds (ETF's) and Variable Annuity sub-accounts provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategists.

Should clients have any questions or concerns with regard to the Adviser's execution of transactions, they are encouraged to have a discussion with Stephen J. Chaney, the President and Chief Compliance Officer of CCM.

EDUCATION AND BUSINESS STANDARDS

There are no specific standards of education or business experience that Chaney Capital Management requires of those involved in determining or giving investment advice.

EDUCATIONAL AND BUSINESS BACKGROUND (PRESIDENT)

Stephen J. Chaney, President and Chief Compliance Officer, was born in 1961. Steve became President and Chief Compliance Officer for Chaney Capital Management in 1995. Steve graduated from Ohio University with a Bachelor of Science degree in Business Administration where he majored in economics and minored in real estate. Steve has an extensive background in finance and risk management.

Examinations/Professional Designations: State of Washington: Licensed Insurance Agent (*Maintained for consultation only as required by the State of WA; does not sell insurance and earns no commissions*)

Uniform Investment Adviser Law Examination (Series 65)

General Securities Principal Qualification Examination (Series 24)

Education: B.S., Economics

Business: Chaney Capital Management, Inc., Lynnwood, WA, President and Chief Compliance Officer

Registered Investment Adviser 1999 – Present

Corporation succeeded Chaney Capital Management, Sole Proprietorship 1995 – 1999

OTHER BUSINESS ACTIVITIES

Stephen J. Chaney may be engaged in public speaking before various audiences on topics that relate to general investment and financial issues.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Chaney Capital Management does not participate in any other Financial Industry activities or have any other affiliations.

PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS

At times, the investment interests of the Advisory Representatives or related persons may coincide with the interest of clients' accounts. However, at no time will the Adviser, Representatives, or any related person receive an added benefit or advantage over clients with respect to these transactions. The interests and needs of clients are at the forefront of the Adviser's practice. All rules and regulations of the Securities Act of Washington and applicable rules of the United States Securities and Exchange Commission's ("SEC") Investment Advisers Act of 1940 will be strictly enforced. The Adviser will not permit insider trading. Stephen J. Chaney, the Chief Compliance Officer of Chaney Capital Management monitors its staff's personal securities holdings records. In 2005, Investment Advisers were required to implement a written Code of Ethics.

Chaney Capital Management is a fiduciary to each and every client. The SEC and State Securities Regulators take the position that Investment Advisers owe their clients several specific duties as fiduciaries and these include: Advice that is suitable; Full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations); Utmost and exclusive loyalty and good faith; Best execution of transactions; The Adviser's reasonable care to avoid ever misleading clients; Only acting in the best interests of clients. It is Chaney Capital Management's policy to protect the interests of each of the Adviser's clients and to place the clients' interests first and foremost in each and every situation. Further, Chaney Capital Management monitors the personal trading of all access persons, defined as staff members who have access to client, trading and investment recommendations prepared by the Adviser.

The Adviser's staff shall always act in good faith and with candor; The Adviser shall be proactive in the disclosure of any conflicts of interest that may impact the client; and the Adviser shall not accept any referral fees or compensation that is contingent upon the purchase or sale of a financial product.

Code of Ethics disclosure

The Company has adopted and implemented a Code of Ethics that is designed to promote the fiduciary activities of the Company and its employees and prevent and detect violations of company policies, procedures or securities laws. The Company will provide clients with a copy of its Code of Ethics upon written request.

CONDITIONS OF MANAGING ACCOUNTS

The minimum investment required by Chaney Capital Management Investment Service, is generally \$250,000 for an aggregated total of all investment assets managed by CCM. Accounts below these minimums may be accepted on an individual basis at the discretion on Chaney Capital Management.

REVIEW OF ACCOUNTS

Investment Management involves continuous and ongoing services and provides for the monitoring and internal review of portfolio assets. The Adviser will review underlying investments at least quarterly. Individual client portfolios are generally reviewed quarterly, however reviews could also occur at the time of new deposits or significant withdrawals, material changes in client conditions, at the Adviser's discretion or according to client's stated direction. Reviews entail the analysis of securities, sensitivity to overall markets, economic changes, investment results, asset allocation, etc., to ensure the investment strategy and expectations are structured to continue to meet clients' stated objectives. In the management of mutual fund investments, the Adviser will undertake a global review of economic changes and fund performance in and of each particular fund and how it relates to its peers and the general market and adherence to style. If it is

determined that adjustments need to be made to bring the portfolio into closer conformity with the target allocation, the Adviser researches all categories in question to determine what modifications are needed. Clients should meet (in person or telephonically) with the Adviser at least annually. However, clients are obligated to promptly inform the Adviser of any potential or existing changes in their financial condition or circumstances.

INVESTMENT OR BROKERAGE DISCRETION

Chaney Capital Management may maintain limited discretion to execute trades as evidenced by the Client Agreement. Chaney Capital Management does not have authority to withdraw funds (except for advisory fees, if authorized) or securities and will not take custody of the same.

Portfolio additions may be in cash or securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into the client's account pursuant to its limited discretionary authority. The Adviser may consult with its clients about the options and ramifications of transferring securities. However, clients are hereby advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

The Adviser in some instances may vote proxies under its limited discretionary authority. Alternatively, clients are welcome to reclaim or retain the authority to vote proxies and in such cases are responsible for ensuring that all proxy materials are sent directly to them. In these cases, the Adviser will not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Alternatively, the Adviser will follow the proxy voting policy which is disclosed below:

Proxy Voting Policy

Chaney Capital Management does not vote proxies for new clients. Chaney Capital Management does currently vote proxies on some existing accounts. It is the policy of the firm to vote using the Board of Directors recommendation. Clients that choose to have CCM vote proxies for their account may choose at any time to reclaim the right to vote proxies. This request would need to be made in writing to Chaney Capital Management so that the custodian could be notified of this change.

The Adviser may make use of a proxy-voting service (electronic) and if so, will ensure that records are made available electronically for record-keeping and review. In such cases, proxy votes are submitted on-line through a secured internet system. Proxy votes are recorded on the voting form and can be found with the annual reports in the company records. Clients can access information on how the Adviser voted their shares by contacting Stephen J. Chaney for directions or a report.

Brokerage Recommendations

Clients are welcome to select the service provider of their choice. However, as disclosed in the Client Agreement, in these cases the Adviser cannot guarantee best execution of transactions due to limitations of services or because of limitations placed on the Adviser by the service provider. All directed brokerage requests are to be received in writing.

The Advisory Representatives of Chaney Capital Management are not registered representatives of Charles Schwab & Co., or any other broker/dealer. Stephen Chaney feels Charles Schwab & Co. has done a tremendous job, to date, in servicing and meeting the needs of the Adviser's clients.

Chaney Capital Management participates in the Schwab Institutional ("SI") service program. Schwab Institutional is a division of Charles Schwab & Co. and provides back office and other services to independent investment advisers. In fact, to date, Charles Schwab & Co. serves more independent Registered Investment Advisers than any other custodial firm in the nation.

Chaney Capital Management recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to utilize Charles Schwab & Co. is based on a number of criteria which include: The discount rates available, product and management program offerings, and execution services available. As previously noted, the Adviser believes this custodial firm provides excellent customer service to investors and to the Adviser. The Adviser also takes into consideration the following:

- ❖ Quality of overall execution services provided;
- ❖ Promptness of execution;
- ❖ Creditworthiness, financial condition, and business reputation of the broker-dealer;
- ❖ Research (if any) provided;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Ability to access various market centers;
- ❖ The broker-dealer's facilities and technology;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;
- ❖ Reliability of the broker-dealer;
- ❖ Ability to use ECNs to gain liquidity, price improvement, lower commission rates and anonymity;
- ❖ Operational capabilities

Chaney Capital Management has reviewed Charles Schwab & Co.'s best execution documentation. Among the factors this firm considers include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues,

reliability, credit worthiness of counterparties, and accessibility. Charles Schwab & Co. indicates it regularly and rigorously monitors execution quality.

Charles Schwab & Co. utilizes its routing intelligence in combination with the speed of its proprietary routing technology. Among the factors considered include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Charles Schwab & Co. indicates it regularly and rigorously monitors execution quality.

Charles Schwab & Co. indicates it continually monitors execution through a regular and rigorous review of the execution quality it receives from the venues through which it routes equity and option orders. Additionally, the firm indicates it is continually looking for opportunities to improve execution quality. Among the factors considered, these may include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Generally the larger service providers compare the reported executions and unexecuted orders to the National Best Bids and Offers (NBBO's) at the time of order entry and identify a subset of items that require review.

Charles Schwab offers SmartEx™, which is an intelligent order routing system which is designed to route most Nasdaq market or marketable limit orders quickly and seek the best available trade execution. The firm also offers Direct Access trading technology, which provides for the ability to target the price desired by routing orders directly to the selected ECN or Nasdaq market maker. Further, Schwab will match any broker's guarantee, no matter how fast.

Charles Schwab & Co. compares the reported executions and unexecuted orders to the NBBO's at the time of order entry and identifies a subset of items that require review. If an order executes at a price outside the NBBO and isn't justified, Charles Schwab & Co.'s policy provides that it may take action and request a price adjustment from the market center. Some prices outside the NBBO are justified due to market volatility or trade volume, which is why Charles Schwab & Co. indicates it consistently monitor trades to identify those executed outside the NBBO and looks for opportunities to improve the price received.

Of course, market volatility, volume and system availability may delay account access and trade executions. Price can change quickly in fast market conditions, resulting in an execution price different from the quote displayed at order entry. Execution price, speed and liquidity and account access are affected by many factors, including market volatility, size and type of order and available market centers. Price improvement is not guaranteed and will not occur in all situations.

Chaney Capital Management's clients should also evaluate service providers before opening an account since they are welcome to select their preferred firm. In such cases, the Adviser cannot offer best execution, however, due to limitations that may be placed on the accounts or the Adviser. It is also the client's responsibility to ensure that account data is promptly transmitted the Adviser. In terms of selecting Charles Schwab & Co.,

while it is possible that clients may pay higher commissions or transaction fees, the Adviser has determined it currently offers the best overall value to the Adviser and clients for the brokerage, service, and technology provided. Chaney Capital Management periodically reviews other alternatives that are available to the Adviser market.

Schwab Institutional and similar custodians can provide Chaney Capital Management with access to its institutional trading and operations services, which are typically not available to retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the Adviser's clients' account assets are maintained. Services received include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

When clients opt to use firms other than our preferred services providers, clients are responsible to ensure that Chaney Capital Management has the authority to receive all account information in a timely manner.

Within the prime broker program, at times, Charles Schwab & Co. may effect Clients' over-the-counter securities transactions on an agency basis. Charles Schwab & Co. executes transactions based upon a number of factors. These include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, Charles Schwab & Co. may transact with a market-making broker-dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the Client in addition to any agency commissions assessed by Charles Schwab & Co. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. The clients may incur transaction costs, in addition to any commissions charged by Charles Schwab & Co., when trades in over-the-counter securities are effected on their behalf through that broker on an agency basis. Therefore, the Adviser's choice to utilize Charles Schwab & Co. may limit or eliminate Chaney Capital Management's ability to obtain best price and execution in each case.

The SEC requires brokerage firms to make publicly available their order routing practices via quarterly reports. The report is to provide information on routing non-directed orders (any order that the customer or Adviser has not specifically instructed to be routed to a particular venue for execution). For non-directed orders, Charles Schwab & Co. will select the venue. Note: Brokerage firms are required to disclose any material arrangements with the venues utilized, including but not limited to any intercession or payments for order flow arrangements. Clients are welcome to obtain copies of these reports and review Charles Schwab & Co.'s execution information via the custodian's Web site.

While it is possible that clients may pay higher commission or transaction fees through Charles Schwab & Co., Chaney Capital Management has determined that the company currently offers the best overall value to the Adviser and its clients for the brokerage and technology it provides. Chaney Capital Management periodically reviews other alternatives that are available to the Adviser market. Charles Schwab & Co. also features a broad line of products and services that are available to almost every investor, regardless of the amount of investable assets.

ADDITIONAL COMPENSATION

Chaney Capital Management may receive traditional non-cash benefits from its preferred custodians. For example, a custodian may make available other products and services that benefit the Adviser but may not benefit its clients' accounts. Some of these other products and services assist Advisers in managing and administering clients' accounts. These include 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 Adviser's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Chaney Capital Management's accounts, including accounts not maintained at the preferred service providers. Charles Schwab & Co. and similar firms may also provide the Adviser with other services intended to help the Adviser manage and further develop its business enterprise. These services may include general consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, preferred service providers may make available, arrange and/or pay for these types of services to the Adviser by independent third parties. The Adviser's preferred service providers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Adviser. The availability to Adviser of the foregoing products and services is not contingent upon Adviser committing to the preferred service providers any specific amount of business (assets in custody or trading).

Chaney Capital Management provides *fee-based* investment advisory services and Advisory Representatives are not Registered Representatives of any other broker/dealer firm. The Adviser has no written or verbal arrangements whereby it receives soft dollars. Chaney Capital Management takes the position that any of these customary business considerations received from service providers are incidental and do not, in any way, impair the Adviser's independence.

Balance Sheet

Chaney Capital Management has not attached a balance sheet for its most recent fiscal year because it does not have custody of client's funds or securities, or require prepayment of more than \$500 in fees per client and six or more months in advance.