

## DISCLOSURE BROCHURE



INVESTMENT ADVISOR  
304 Inverness Way South, Suite 355  
Centennial, Colorado 80112

**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF COLORADO FINANCIAL SERVICE CORPORATION. IF YOU HAVE QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE TELEPHONE US AT 303-962-7267. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

**ADDITIONAL INFORMATION ABOUT COLORADO FINANCIAL SERVICE CORPORATION ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT**

**[WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV)**

## **MATERIAL CHANGES**

**THIS IS THE INTIAL DISCLOSURE DOCUMENT**

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## **ADVISORY BUSINESS**

COLORADO FINANCIAL SERVICE CORPORATION ("CFSC") WAS ORGANIZED IN 2000 AS A SECURITIES BROKER-DEALER TO PROVIDE INVESTMENT SERVICES TO A SOPHISTICATED CLIENTELE. IN ADDITION TO BEING AN INVESTMENT ADVISOR, CFSC IS ALSO REGISTERED AS A BROKER-DEALER WITH THE US SECURITIES AND EXCHANGE COMMISSION ("SEC") AND IS A MEMBER IN GOOD STANDING OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA").

IN ADDITION, THE PRINCIPAL EXECUTIVE OFFICERS MAY BE INSURANCE AGENTS OF CFSC; A COLORADO LICENSED INSURANCE AGENCY. IN THESE SEPARATE CAPACITIES (AS A REGISTERED REPRESENTATIVE AND/OR INSURANCE AGENT), THE ADVISORY REPRESENTATIVES ARE ABLE TO EFFECT SECURITIES TRANSACTIONS AND PURCHASE INSURANCE PRODUCTS FOR CLIENTS. SUCH ADVISORY REPRESENTATIVES MAY RECEIVE SEPARATE COMPENSATION IN THE FORM OF COMMISSIONS AS A RESULT OF CLIENT PURCHASING SECURITIES PRODUCTS OR INSURANCE PRODUCTS THROUGH THEM. SUCH COMPENSATION MAY BE IN ADDITION TO THE ADVISORY FEES RECEIVED BY CFSC. APPROXIMATELY, 50% OF THE PRINCIPAL EXECUTIVE OFFICERS TIME IS SPENT DIRECTING THE BUSINESS OF CFSC. WHILE ADVISORY REPRESENTATIVES ENDEAVOR AT ALL TIMES TO PUT THE INTERESTS OF THE CLIENTS FIRST AS PART OF CFSC'S FIDUCIARY DUTY, CLIENTS SHOULD BE AWARE THAT THE RECEIPT OF ADDITIONAL COMPENSATION ITSELF CREATES A CONFLICT OF INTEREST AND MAY AFFECT THE JUDGEMENT OF ADVISORY REPRESENTATIVES WHEN MAKING RECOMMENDATIONS.

## **OUR KEY PERSONNEL**

### **CHESTER J HEBERT – CHIEF EXECUTIVE OFFICER & PRESIDENT**

BORN IN 1949, MR. HEBERT ATTENDED LOUISIANA STATE UNIVERSITY FROM 1967 THROUGH 1969 AND THE UNIVERSITY OF LOUISIANA – LAFAYETTE FROM 1969 -1970. AFTER FOUR YEARS OF SERVICE IN THE US NAVY, MR. HEBERT ENROLLED IN THE UNIVERSITY OF WEST FLORIDA. MR. HEBERT HAS BEEN EMPLOYED IN THE SECURITIES INDUSTRY SINCE 1987 AND HAS HELD REGISTRATIONS WITH VARIOUS BROKER-DEALERS AND INVESTMENT ADVISORS. SINCE JOINING CFSC IN 2007, MR. HEBERT HAS SPENT HIS TIME DEVELOPING THE INFRASTRUCTURE AND CAPABILITIES OF CFSC TO SERVE AND GROWING AND DIVERSE CLIENT BASE. IN ADDITION TO CFSC, MR. HEBERT IS ALSO REGISTERED WITH STOUT CAUSEY CAPITAL CORPORATION OF SPARKS, MARYLAND, A FINRA BOKER-DEALER, AS WELL AS THE CEO AND PRESIDENT OF THE COMPLIANCE DEPARTMENT INC., A NATIONAL CONSULTING FIRM SERVING BROKER-DEALERS AND INVESTMENT ADVISORS. MR. HEBERT CONTINUES HIS EDUCATION BY TAKING PART IN NUMEROUS INDUSTRY ROUNDTABLE PLATFORMS AND ISSUE-SPECIFIC FOCUS GROUPS, AND THROUGH THE FIRM IS A MEMBER OF THE FINANCIAL SERVICES INSTITUTE AS WELL AS A PAST MEMBER OF THE FINANCIAL PLANNING ASSOCIATION. MR. HEBERT IS AN ELECTED MEMBER OF THE FINRA DISTRICT THREE COMMITTEE.

**MARVIN MADORSKY – CHIEF FINANCIAL OFFICER, DIRECTOR OF ADVISORY SERVICES**

BORN IN 1958, MR. MADORSKY IS RESPONSIBLE FOR THE FINANCIAL OPERATIONS OF CFSC AS WELL AS HAVING RESPONSIBILITY FOR THE DAY TO DAY INVESTMENT ADVISORY DECISIONS IMPLEMENTED BY OUR ADVISORS ON BEHALF OF CLIENTS. MR. MADORSKY IS A CERTIFIED PUBLIC ACCOUNTANT AND HAS SUCCESSFULLY COMPLETED THE S-7, S-24, S-27, S-53, S-79, AND S-66 SECURITIES REGISTRATIONS. PRIOR TO JOINING CFSC, MR. MADORSKY WAS WITH THE GUARDIAN LIFE INSURANCE COMPANY FROM 2010 THROUGH 2011, FARMERS FINANCIAL SOLUTIONS FROM 2007 THROUGH 2009, MCL FINANCIAL GROUP FROM 2003 THROUGH 2007 AS WELL AS VALIC FINANCIAL ADVISORS FROM 1998 THROUGH 2002. MR. MADORSKY HOLDS THE CERTIFIED EMPLOYEE BENEFITS SPECIALISTS AND CHARTERED LIFE UNDERWRITER DESIGNATIONS THROUGH THE WHARTON SCHOOL AND THE AMERICAN COLLEGE RESPECTIVELY.

**JANELLE VAN MEEL – RIA COMPLIANCE OFFICER**

BORN 1977, MRS. VAN MEEL OVERSEES THE DAY-TO-DAY COMPLIANCE FUNCTION OF THE FIRM. IN ADDITION, SHE IS RESPONSIBLE FOR DEVELOPING, IMPLEMENTING AND EXECUTING KEY STRATEGIC RIA INITIATIVES. MRS. VAN MEEL JOINED CFSC IN 2012 IN OPERATIONS AND COMPLIANCE. PRIOR TO JOINING CFSC, MRS. VAN MEEL SERVED IN VARIOUS COMPLIANCE FUNCTIONS FROM 1998 THROUGH 2012 WITH OPPENHEIMER FUNDS.

**TYPES OF ADVISORY SERVICES OFFERED**

CFSC OFFERS VARIOUS INVESTMENT ADVISORY SERVICES TO CLIENTS DEPENDING ON THE CLIENT'S NEEDS. SERVICES MAY INCLUDE:

- A. FINANCIAL PLANNING SERVICES
- B. CREATION AND MANAGEMENT OF CUSTOM PORTFOLIOS
- C. SELECTION OF SPECIALIZED MONEY MANAGERS

**FINANCIAL PLANNING AND CONSULTING**

CFSC OFFERS VARIOUS FINANCIAL PLANNING AND CONSULTING SERVICES FOR A FEE. CFSC WILL GATHER FINANCIAL INFORMATION AND HISTORY FROM CLIENT INCLUDING, BUT NOT LIMITED TO, CLIENT'S CURRENT FINANCIAL STATUS, FUTURE GOALS AND ATTITUDES TOWARDS RISK, INVESTMENT OBJECTIVES, INVESTMENT HORIZON, FINANCIAL NEEDS, COST OF LIVING NEEDS, EDUCATION NEEDS, SAVINGS TENDENCIES, AND OTHER APPLICABLE FINANCIAL INFORMATION REQUIRED BY CFSC IN ORDER TO PROVIDE THE INVESTMENT ADVISORY SERVICES REQUESTED. BASED UPON CLIENT'S NEEDS, CFSC WILL PREPARE A WRITTEN FINANCIAL PLAN OR SUMMARY OR RECOMMENDATIONS. GENERALLY, FINANCIAL PLANNING AND CONSULTING SERVICES ARE OFFERED IN THE FOLLOWING AREAS:

- PERSONAL: FAMILY RECORDS, BUDGETING, PERSONAL LIABILITY, ESTATE INFORMATION AND FINANCIAL GOALS.
- TAX & CASH FLOW: INCOME TAX AND SPENDING ANALYSIS AND PLANNING FOR PAST, CURRENT AND FUTURE YEARS. CFSC WILL ILLUSTRATE THE IMPACT OF VARIOUS INVESTMENTS ON A CLIENT'S CURRENT INCOME TAX AND FUTURE TAX LIABILITY.
- DEATH & DISABILITY: CASH NEEDS AT DEATH, INCOME NEEDS OF SURVIVING DEPENDENTS, ESTATE PLANNING AND DISABILITY INCOME ANALYSIS.
- RETIREMENT: ANALYSIS OF CURRENT STRATEGIES AND INVESTMENT PLANS TO HELP THE CLIENT ACHIEVE HIS OR HER RETIREMENT GOALS.
- INVESTMENTS: ANALYSIS OF INVESTMENT ALTERNATIVES AND THEIR EFFECT ON A CLIENT'S PORTFOLIO.

FINANCIAL PLANNING SERVICES ARE BASED ON THE CLIENT'S FINANCIAL SITUATION AT THE TIME AND ARE BASED ON FINANCIAL INFORMATION DISCLOSED BY THE CLIENT TO CFSC. CLIENTS ARE ADVISED CERTAIN ASSUMPTIONS MAY BE MADE WITH RESPECT TO INTEREST AND INFLATION RATES AND USE OF PAST TRENDS AND PERFORMANCE OF THE MARKET AND ECONOMY. HOWEVER, PAST PERFORMANCE IS IN NO WAY AN INDICATION OF FUTURE PERFORMANCE. CFSC CANNOT OFFER ANY GUARANTEES OR PROMISES THAT CLIENT'S FINANCIAL GOALS AND OBJECTIVES WILL BE MET. FURTHER, CLIENT MUST CONTINUE TO REVIEW ANY PLAN AND UPDATE THE PLAN BASED UPON CHANGES IN THE CLIENT'S FINANCIAL SITUATION, GOALS, OR OBJECTIVES OR CHANGES IN THE ECONOMY. SHOULD CLIENT'S FINANCIAL SITUATION OR INVESTMENT GOALS OR OBJECTIVES CHANGE, CLIENTS MUST NOTIFY CFSC PROMPTLY OF THE CHANGES. SHOULD CLIENT CHOOSE TO IMPLEMENT THE RECOMMENDATIONS AND INVESTMENT ADVICE CONTAINED IN THE PLAN OR REPORT, CFSC SUGGESTS CLIENT WORK CLOSELY WITH HIS/HER ATTORNEY, ACCOUNTANT, INSURANCE AGENT, AND/OR STOCKBROKER. IMPLEMENTATION OF RECOMMENDATIONS AND ADVICE IS ENTIRELY AT THE CLIENT'S DISCRETION.

FINANCIAL PLANNING AND CONSULTING SERVICES ARE OFFERED ON A RETAINER, HOURLY OR FIXED FEE BASIS AS NEGOTIATED WITH THE CLIENT. TYPICALLY, HOURLY FEES WILL BE CHARGED FOR CONSULTING SERVICES OR IF THE SCOPE OF THE ENGAGEMENT CANNOT BE DETERMINED. TO THE EXTENT THE SCOPE OF THE ENGAGE CAN BE DETERMINED; CFSC WILL QUOTE THE CLIENT A FIXED FEE OR A RETAINER FEE. THE FIXED FEE OR RETAINER FEE QUOTE WILL BE BASED ON A VARIETY OF FACTORS CONSIDERED, INCLUDING BUT NOT LIMITED TO, TIME ANTICIPATED PROVIDING THE SERVICES, STAFF RESOURCES, NUMBER OF CLIENT MEETINGS, RESEARCH, ETC.

FEES ARE NEGOTIABLE. AT THE START OF THE RELATIONSHIP, CFSC WILL PROVIDE CLIENT WITH A MAXIMUM TOTAL FEE THAT MAY BE CHARGED FOR THE REQUESTED SERVICES. CFSC WILL NOT REQUEST ANY PAYMENT ABOVE THE STATED MAXIMUM FEE FOR THE WORK REQUESTED BY THE CLIENT, PROVIDED THE CLIENT'S CIRCUMSTANCES HAVE NOT CHANGED. FEES FOR ADVISORY SERVICES ARE DUE UPON DELIVERY OR PRESENTATION OF THE PLAN OR RECOMMENDATIONS.

HOURLY FEE RATE - \$200 PER HOUR  
FIXED FEE RANGE - \$200 TO \$1,500  
RETAINER FEE – NEGOTIABLE

CLIENT MAY TERMINATE ADVISORY SERVICES WITHIN FIVE (5) BUSINESS DAYS AFTER ENTERING INTO THE ADVISORY AGREEMENT WITHOUT PENALTY. AFTER FIVE (5) BUSINESS DAYS OF ENTERING INTO THE ADVISORY AGREEMENT, CLIENT MAY TERMINATE UPON CFSC'S RECEIPT OF CLIENT'S WRITTEN NOTICE TO TERMINATE. CLIENT WILL BE RESPONSIBLE FOR ANY TIME SPENT BY CFSC IN PROVIDING, RESEARCHING OR PREPARING THE CLIENT'S REQUESTED ADVISORY SERVICES. THE ADVISORY RELATIONSHIP OR AGREEMENT BETWEEN CLIENT AND CFSC WILL BE DEEMED COMPLETED AND TERMINATED UPON PRESENTATION OF THE ANALYSIS AND RECOMMENDATIONS AND RECEIPT OF PAYMENT IN FULL.

CLIENT IS ADVISED THAT FEES FOR FINANCIAL PLANNING ARE STRICTLY FOR FINANCIAL PLANNING SERVICES. THEREFORE, CLIENT MAY PAY FEES AND/OR COMMISSIONS FOR ADDITIONAL SERVICES OBTAINED SUCH AS ASSET MANAGEMENT OR PRODUCTS PURCHASED SUCH AS SECURITIES OR INSURANCE.

#### **CREATION AND MANAGEMENT OF CUSTOM PORTFOLIOS**

CFSC OFFERS ITS CLIENTS PORTFOLIO MANAGEMENT SERVICES CUSTOMIZED TO THE INDIVIDUAL NEEDS AND OBJECTIVES OF THE CLIENT. SUCH PORTFOLIOS MAY INCLUDE MUTUAL FUNDS, EXCHANGE TRADED FUNDS, INDIVIDUAL STOCKS OR BONDS, AND/OR OTHER SECURITIES DEEMED APPROPRIATE FOR THE CLIENT AND SITUATION. CLIENTS ARE ADVISED THAT SUCH CUSTOM PORTFOLIOS MAY RESULT IN BOTH HIGHER ADVISORY FEES AND ACCOUNT SERVICE FEES.

#### **THIRD PARTY MANAGERS**

CFSC HAS RELATIONSHIPS WITH VARIOUS THIRD PARTY MANAGERS NOT AFFILIATED WITH CFSC TO OFFER CLIENTS ALTERNATIVES TO ASSET MANAGEMENT SERVICES AND PROGRAMS.

CFSC WILL ASSIST CLIENT IN EVALUATING THEIR FINANCIAL SITUATION TO ASSIST CLIENT IN DETERMINING THE SUITABILITY OF A THIRD PARTY MANAGER'S SERVICE. CFSC WILL BE AVAILABLE TO ANSWER QUESTIONS THE CLIENT MAY HAVE REGARDING THEIR ACCOUNT AND ACT AS THE COMMUNICATION CONDUIT BETWEEN THE CLIENT AND THE MANAGER.

CLIENTS ARE ADVISED THE ADVISORY SERVICES MADE AVAILABLE BY CFSC AND INVOLVING A THIRD PARTY MANAGER MAY RESULT IN HIGHER ADVISORY FEES FOR SUCH PROGRAMS THAN IF CLIENT DIRECTLY OBTAINED THE SERVICES OF THE THIRD PARTY MANAGER OR IF CLIENT OBTAINED ADVISORY SERVICES SEPARATELY. CLIENTS SHOULD READ THE THIRD PARTY MANAGER'S DISCLOSURE BROCHURE FOR ADDITIONAL DISCLOSURE OF ITS MANAGED PROGRAM.

CFSC DOES NOT TAKE CUSTODY OF CLIENT ASSETS. CFSC WILL NOT DIRECTLY CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF THE CLIENT OR PARTICIPATE DIRECTLY IN THE SELECTION OF THE SECURITIES TO BE PURCHASED OR SOLD FOR THE CLIENT. INVESTMENT DECISIONS ARE MADE BY THE THIRD PARTY MANAGER IN ACCORDANCE WITH THE AGREEMENT BETWEEN CLIENT AND MANAGER. HOWEVER, THE THIRD PARTY MANAGERS MAY EXECUTE THE TRANSACTIONS THROUGH CFSC IN ITS CAPACITY AS A BROKER/DEALER. AS A RESULT OF SUCH SECURITIES TRANSACTIONS BEING DIRECTED THROUGH CFSC COMMISSIONS MAY BE RECEIVED. SUCH COMMISSIONS MAY BE HIGHER OR LOWER THAN THE COMMISSIONS CHARGED BY OTHER BROKER/DEALERS. FURTHER, SUCH COMPENSATION WILL BE IN ADDITION TO ANY ADVISORY FEES RECEIVED BY CFSC.

CLIENTS WILL PAY AN ADVISORY FEE TO THE THIRD PARTY MANAGER FOR MANAGEMENT SERVICES. SUCH ADVISORY FEES MAY BE HIGHER OR LOWER THAN THOSE FEES CHARGED BY OTHER THIRD PARTY MANAGERS NOT MADE AVAILABLE THROUGH CFSC AND OFFERING SIMILAR SERVICES. SUCH FEES ARE DISCLOSED TO CLIENT IN THE THIRD PARTY MANAGER'S DISCLOSURE BROCHURE. CLIENTS WILL ENTER INTO AN AGREEMENT DIRECTLY WITH THE THIRD PARTY MANAGER SELECTED BY THE CLIENT. CLIENTS SHOULD READ THE THIRD PARTY MANAGER'S DISCLOSURE BROCHURE THOROUGHLY PRIOR TO ENTERING INTO ANY ADVISORY AGREEMENT.

CFSC'S COMPENSATION WILL DEPEND ON THE THIRD PARTY MANAGER PROGRAM SELECTED BY THE CLIENT. CFSC WILL EITHER RECEIVE COMMISSIONS AS A RESULT OF THE SECURITIES TRANSACTIONS EXECUTED IN THE ACCOUNT MANAGED BY THE THIRD PARTY MANAGER (I.E. COMMISSIONS IN LIEU OF ADVISORY FEES) OR AN ADVISORY FEE WHICH WILL BE IN ADDITION TO THE ADVISORY FEE CHARGED BY THE THIRD PARTY MANAGER, OR CFSC MAY SHARE IN THE ADVISORY FEE CHARGED BY THE THIRD PARTY MANAGER. THE THIRD PARTY MANAGER WILL FACILITATE THE DEDUCTION OF ALL ADVISORY FEES AND WILL ALLOCATE CFSC'S PORTION OF THE FEE TO CFSC.

#### **GENERAL DISCLOSURES**

ADVICE OFFERED BY ADVISORY REPRESENTATIVES MAY INVOLVE INVESTMENT IN MUTUAL FUNDS. MUTUAL FUNDS MAY CARRY LOADS (I.E. SALES CHARGES) THAT MAY BE UP-FRONT OR ON A CONTINGENT DEFERRED BASIS OR BE NO-LOADS WITH NO INITIAL OR CONTINGENT DEFERRED SALES CHARGES. CLIENTS ARE ADVISED THAT ADVISORY REPRESENTATIVES MAY BE REGISTERED REPRESENTATIVES OF CFSC, A REGISTERED BROKER/DEALER, MEMBER OF THE FINANCIAL INDUSTRY REGULATORY ASSOCIATION ("FINRA") AND SIPC. THEREFORE, ADVISORY REPRESENTATIVES HAVE A CONFLICT OF INTEREST IN RECOMMENDING MUTUAL FUNDS THAT CARRY A LOAD SINCE SUCH MUTUAL FUNDS WILL PAY ADVISORY REPRESENTATIVES A COMMISSION SHOULD THE PURCHASE BE MADE THROUGH ADVISORY REPRESENTATIVES.

A CONFLICT OF INTEREST MAY EXIST BETWEEN THE INTERESTS OF CFSC AND/OR ITS ADVISORY REPRESENTATIVES AND THE INTERESTS OF THE CLIENT IN THAT CFSC AND

ADVISORY REPRESENTATIVES OFFER FINANCIAL PLANNING AND INVESTMENT ADVISORY SERVICES FOR A FEE AND ALSO OFFER VARIOUS SECURITIES PRODUCTS FOR WHICH THEY MAY BE PAID A COMMISSION. THE SECURITIES PRODUCTS AVAILABLE THROUGH CFSC MAY BE LIMITED TO CERTAIN PRODUCTS THAT HAVE BEEN REVIEWED AND MADE AVAILABLE FOR OFFERING THROUGH THE BROKER/DEALER WITH WHICH ADVISORY REPRESENTATIVES MAY BE REGISTERED REPRESENTATIVES.

CLIENTS CAN INVEST IN A MUTUAL FUND DIRECTLY WITHOUT THE SERVICES OF CFSC. HOWEVER, CLIENT WOULD NOT RECEIVE THE ADVISORY SERVICES DESCRIBED HEREIN WHICH ARE DESIGNED, AMONG OTHER THINGS, TO ASSIST THE CLIENT IN DETERMINING WHICH MUTUAL FUND OR FUNDS ARE MORE APPROPRIATE TO EACH CLIENT'S FINANCIAL SITUATION. CLIENTS SHOULD REVIEW BOTH THE FEES CHARGED BY THE FUNDS AND FEES CHARGED BY CFSC TO FULLY UNDERSTAND THE TOTAL AMOUNT OF FEES TO BE PAID BY THE CLIENT AND THE ADVISORY SERVICES TO BE OR BEING PROVIDED.

LOWER FEES FOR COMPARABLE SERVICES MAY BE AVAILABLE FROM OTHER SOURCES. MATERIAL CONFLICTS OF INTEREST HAVE BEEN DISCLOSED TO THE CLIENT IN WRITING VIA THE FORM ADV, PART II THAT COULD CAUSE THE CFSC OR ADVISORY REPRESENTATIVES TO NOT RENDER UNBIASED AND OBJECTIVE ADVICE. CFSC DOES NOT MAINTAIN CUSTODY OF CLIENT FUNDS OR SECURITIES WITH THE EXCEPTION OF DEDUCTION OF CFSC'S ADVISORY FEE FROM CLIENT'S ACCOUNT.

CLIENT IS ADVISED THE INVESTMENT RECOMMENDATIONS AND ADVICE OFFERED BY CFSC ARE NOT LEGAL ADVICE OR ACCOUNTING ADVICE. CLIENT SHOULD COORDINATE AND DISCUSS THE IMPACT OF FINANCIAL ADVICE WITH THEIR ATTORNEY AND/OR ACCOUNTANT. CLIENT IS ADVISED THAT IT IS NECESSARY TO INFORM CFSC PROMPTLY WITH RESPECT TO ANY CHANGES IN THE CLIENT'S FINANCIAL SITUATION AND INVESTMENT GOALS AND OBJECTIVES. FAILURE TO NOTIFY CFSC OF ANY SUCH CHANGES COULD RESULT IN INVESTMENT RECOMMENDATIONS NOT MEETING THE NEEDS OF THE CLIENT.

CLIENTS ARE ADVISED THAT ADVISORY REPRESENTATIVES ARE GENERALLY INDEPENDENT CONTRACTORS. AS SUCH, ADVISORY REPRESENTATIVES RECEIVE A PORTION OF THE ADVISORY FEES CHARGED TO CLIENTS THROUGH CFSC. THE PORTION OF THE ADVISORY FEES RECEIVED BY AN ADVISORY REPRESENTATIVE MAY VARY FROM ADVISORY REPRESENTATIVE TO ADVISORY REPRESENTATIVE DEPENDING ON FACTORS INCLUDING, BUT NOT LIMITED TO, THE ADVISORY REPRESENTATIVE'S PRODUCTION THROUGH CFSC AND OTHER BUSINESS ARRANGEMENTS WITH CFSC. THE BALANCE OF THE ADVISORY FEE IS RETAINED BY CFSC AS COMPENSATION FOR DIRECTING THE DAY TO DAY OPERATIONS OF ITS BUSINESS. FURTHER, CLIENTS ARE ADVISED FEES CHARGED TO CLIENTS BY ADVISORY REPRESENTATIVES MAY VARY AND ARE NEGOTIABLE BUT WILL NOT EXCEED THE FEE SCHEDULES PRINTED HEREIN.

**WARRANTEES/REPRESENTATIONS**

CFSC DOES NOT REPRESENT, WARRANTEE OR IMPLY THAT THE SERVICES OR METHODS OF ANALYSIS USED BY CFSC CAN OR WILL PREDICT FUTURE RESULTS, SUCCESSFULLY IDENTIFY MARKET TOPS OR BOTTOMS, OR INSULATE CLIENTS FROM LOSSES DUE TO MAJOR MARKET CORRECTIONS OR CRASHES. NO GUARANTEES CAN BE OFFERED THAT CLIENT'S GOALS OR OBJECTIVES WILL BE ACHIEVED. FURTHER, NO PROMISES OR ASSUMPTIONS CAN BE MADE THAT THE ADVISORY SERVICES OFFERED BY CFSC WILL PROVIDE A BETTER RETURN THAN OTHER INVESTMENT STRATEGIES. THE LEVEL OF EXPERIENCE OF ADVISORY REPRESENTATIVES WILL VARY.

**PRIVACY NOTICE**

CFSC GATHERS VARIOUS NONPUBLIC INFORMATION FROM CLIENTS IN ORDER TO PROVIDE ADVISORY PRODUCTS AND SERVICES. CFSC DOES NOT SHARE NONPUBLIC INFORMATION WITH NONAFFILIATED THIRD PARTIES EXCEPT AS PERMITTED BY LAW. CLIENTS WILL BE PROVIDED WITH A COPY OF CFSC'S PRIVACY POLICY UPON ESTABLISHMENT OF A CLIENT RELATIONSHIP WITH CFSC AND ANNUALLY THEREAFTER AS LONG AS CLIENT REMAINS AN ACTIVE CLIENT.

**PROXY VOTING**

CLIENTS ARE ADVISED CFSC DOES NOT VOTE PROXIES ON CLIENTS' BEHALF.

**ASSETS UNDER MANAGEMENT**

AT THE TIME OF THIS SUBMISSION, CFSC IS ENTERING THE INVESTMENT ADVISORY SERVICES BUSINESS AND DOES NOT HAVE AN ASSET VALUE OR CLIENT ACCOUNT NUMBER TO DISCLOSE.

## **FEES AND COMPENSATION**

AS PREVIOUSLY STATED IN ITEM 4 ABOVE, CFSC PROVIDES ADVISORY SERVICES TO CLIENTS IN A NUMBER OF DIFFERENT WAYS AND CALCULATION OF FEES MAY VARY BY SERVICES PROVIDED.

### **FINANCIAL PLANNING SERVICES**

HOURLY FEE RATE - \$250 PER HOUR

FIXED FEE RANGE - \$500 TO \$5,000

RETAINER FEE – NEGOTIABLE

### **CREATION AND MANAGEMENT OF CUSTOM PORTFOLIOS**

VALUE OF ASSETS	ANNUAL RATE
LESS THAN \$100,000	2.5%
\$100,000 TO \$500,000	2.0%
\$501,000 TO \$1,000,000	1.75%
\$1,000,000 TO \$2,500,000	1.5%
OVER \$2,500,000	1.25%

IN ADDITION, ACCOUNTS MAY BE CHARGED VARIOUS FEES BY CUSTODIAN AND MAY INCLUDE EXECUTION FEES, CUSTODIAL FEES, ETC. THE SAME SERVICES MAY BE AVAILABLE ELSEWHERE AT AMOUNTS HIGHER OR LOWER THAN THOSE CHARGED BY CFSC.

### **OTHER MONEY MANAGERS**

CLIENTS WILL PAY AN ADVISORY FEE TO THE THIRD PARTY MANAGER FOR MANAGEMENT SERVICES. SUCH ADVISORY FEES MAY BE HIGHER OR LOWER THAN THOSE FEES CHARGED BY OTHER THIRD PARTY MANAGERS NOT MADE AVAILABLE THROUGH CFSC AND OFFERING SIMILAR SERVICES. SUCH FEES ARE DISCLOSED TO CLIENT IN THE THIRD PARTY MANAGER'S DISCLOSURE BROCHURE. CLIENTS WILL ENTER INTO AN AGREEMENT DIRECTLY WITH THE THIRD PARTY MANAGER SELECTED BY THE CLIENT. CLIENTS SHOULD READ THE THIRD PARTY MANAGER'S DISCLOSURE BROCHURE THOROUGHLY PRIOR TO ENTERING INTO ANY ADVISORY AGREEMENT.

## **PERFORMANCE BASED FEES**

CFSC DOES NOT ACCEPT PERFORMANCE BASED FEES.

## **TYPES OF CLIENTS**

CFSC PROVIDES INVESTMENT ADVISORY SERVICES TO INDIVIDUALS, HIGH NET WORTH INDIVIDUALS, PENSION AND PROFIT SHARING PLANS, CHARITABLE ORGANIZATIONS, AND CORPORATIONS.

## **METHODS OF ANALYSIS INVESTMENT STRATEGIES RISK OF LOSS**

ALL INVESTORS MUST UNDERSTAND THAT INVESTING IN THE SECURITIES MARKETS INVOLVES RISK OF LOSS. THERE CAN BE NO ASSURANCE THAT AN INVESTOR MAY EXPERIENCE A LOSS OR MAKE A PROFIT. CFSC HAS DEVISED VARIOUS STRATEGIES IN ITS ATTEMPT TO MINIMIZE THE OPPORTUNITY FOR LOSS. THERE CAN BE NO ASSURANCE THAT ANY INVESTMENT STRATEGY SHALL RESULT IN NO LOSS.

### **METHODS OF ANALYSIS**

CFSC UTILIZES BOTH FUNDAMENTAL AND TECHNICAL ANALYSIS METHODS TO MANAGE CLIENT PORTFOLIOS.

FUNDAMENTAL ANALYSIS OF A BUSINESS INVOLVES ANALYZING ITS FINANCIAL STATEMENTS AND HEALTH, ITS MANAGEMENT AND COMPETITIVE ADVANTAGES, AND ITS COMPETITORS AND MARKETS. WHEN APPLIED TO FUTURES AND FOREIGN EXCHANGE MARKETS, IT FOCUSES ON THE OVERALL STATE OF THE ECONOMY, INTEREST RATES, PRODUCTION, EARNINGS, AND MANAGEMENT. WHEN ANALYZING A STOCK, FUTURES CONTRACT, OR CURRENCY USING FUNDAMENTAL ANALYSIS THERE ARE TWO BASIC APPROACHES ONE CAN USE; BOTTOM UP ANALYSIS AND TOP DOWN ANALYSIS.

TECHNICAL ANALYSIS INVOLVES EXAMINING WHAT INVESTORS FEAR OR THINK ABOUT THOSE DEVELOPMENTS AND WHETHER OR NOT INVESTORS HAVE THE WHEREWITHALL TO BACK UP THEIR OPINIONS. THESE TWO CONCEPTS ARE CALLED PSYCH (PSYCHOLOGY) AND SUPPLY/DEMAND. TECHNICIANS EMPLOY MANY TECHNIQUES, ONE OF WHICH IS THE USE OF CHARTS. USING CHARTS, TECHNICAL ANALYSTS SEEK TO IDENTIFY PRICE PATTERNS AND MARKET TRENDS IN FINANCIAL MARKETS AND ATTEMPT TO EXPLOIT THOSE PATTERNS.

### **INVESTMENT STRATEGIES**

CFSC MAY UTILIZE A VARIETY OF DIFFERENT STRATEGIES TO ACCOMPLISH ITS CLIENT'S INVESTMENT OBJECTIVE, THESE STRATEGIES INCLUDE:

LONG TERM PURCHASES INVOLVES THE PURCHASE OF SECURITIES THAT ARE INTENDED TO BE HELD FOR AT LEAST TWELVE MONTHS.

SHORT TERM PURCHASES INVOLVES THE PURCHASE AND SALE OF SECURITIES IN LESS THAN A TWELVE MONTH PERIOD.

TRADING SECURITIES INVOLVES THE PURCHASE AND SALE OF SECURITIES IN A PERIOD OF LESS THAN THIRTY DAYS. PORTFOLIO EXPENSES MAY BE INCREASED WITH MORE FREQUENT TRADING.

SHORT SALES INVOLVES SELLING SECURITIES YOU MAY OR MAY NOT OWN. THE RISK OF LOSS IS INCREASED WITH THE USE OF SHORT SALES AS THE EXPOSURE TO LOSS IS ALMOST UNLIMITED.

MARGIN INVOLVES THE PURCHASE OF SECURITIES WITH CREDIT PROVIDED BY YOUR BROKER'S FIRM. THE USE OF MARGIN CAN INCREASE THE RISK OF LOSS IN A PORTFOLIO AS WELL AS CAUSING THE PORTFOLIO TO INCUR INTEREST CHARGES FOR THE LOANED FUNDS.

OPTIONS WRITING INVOLVES WRITING CONTRACTS ON SECURITIES YOU OWN (COVERED), SECURITIES YOU DO NOT OWN (UNCOVERED) OR A COMBINATION OF PUTS AND CALLS FOR A PARTICULAR HEDGING STRATEGY.

#### **RISK OF LOSS**

WITH EACH INVESTMENT STRATEGY, THERE COMES A CERTAIN LEVEL OF RISK. INVESTMENT ADVISORS MUST DETERMINE THE LEVEL OF RISK THAT A PARTICULAR CLIENT IS WILLING TO ACCEPT AND DEVELOP A PORTFOLIO STRATEGY SUITABLE FOR THE CLIENT. IT IS A FAIR RULE OF THUMB THAT THE SHORTER THE HOLDING PERIOD THE GREATER THE RISK. HOWEVER, THERE CAN BE NO ASSURANCE THAT ANY STRATEGY WHETHER LONG TERM OR SHORT TERM WILL RESULT IN A PROFIT AND CANNOT RESULT IN A LOSS.

#### **DISCIPLINARY INFORMATION**

NEITHER THE FIRM NOR ITS PRINCIPALS HAVE ANY DISCIPLINARY INFORMATION.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

THE PRINCIPALS OF CFSC ARE ALSO REGISTERED REPRESENTATIVES OF CFSC, THE BROKER-DEALER. THIS REPRESENTS A CONFLICT OF INTEREST AS TO WHAT POSITION THE ADVISOR IS TAKING WHEN SERVICING AN ADVISORY CLIENT. SALES OF SECURITIES PRODUCTS ARE ON A COMMISSION BASIS AND ARE IN ADDITION TO ANY FEES CHARGED BY THE ADVISOR TO THE CLIENT. CLIENTS ARE UNDER NO OBLIGATION TO PURCHASE ANY SECURITIES FROM OUR AFFILIATED BROKER-DEALER

IN ADDITION, CFSC IS A LICENSED COLORADO INSURANCE AGENCY. THIS REPRESENTS A CONFLICT OF INTEREST IN THAT ADVISORS MAY OFFER CLIENTS INSURANCE PRODUCTS THAT ARE SOLD ON COMMISSION AND ARE IN ADDITION TO ANY FEES CHARGED BY THE ADVISOR TO THE CLIENT. CLIENTS ARE UNDER NO OBLIGATION TO PURCHASE ANY INSURANCE PRODUCTS FROM CFSC.

## **CODE OF ETHICS**

CFSC HAS A FIDUCIARY DUTY TO CLIENTS TO ACT IN THE BEST INTEREST OF THE CLIENT AND ALWAYS PLACE THE CLIENT'S INTERESTS FIRST AND FOREMOST. CFSC TAKES SERIOUSLY ITS COMPLIANCE AND REGULATORY OBLIGATIONS AND REQUIRES ALL STAFF TO COMPLY WITH SUCH RULES AND REGULATIONS AS WELL AS CFSC'S POLICIES AND PROCEDURES. FURTHER, CFSC STRIVES TO HANDLE CLIENTS' NON-PUBLIC INFORMATION IN SUCH A WAY TO PROTECT INFORMATION FROM FALLING INTO HANDS THAT HAVE NO BUSINESS REASON TO KNOW SUCH INFORMATION AND PROVIDES CLIENTS WITH CFSC'S PRIVACY POLICY. AS SUCH, CFSC MAINTAINS A CODE OF ETHICS FOR ITS ADVISORY REPRESENTATIVES, SUPERVISED PERSONS AND STAFF. THE CODE OF ETHICS CONTAINS PROVISIONS FOR STANDARDS OF BUSINESS CONDUCT IN ORDER TO COMPLY WITH FEDERAL SECURITIES LAWS, PERSONAL SECURITIES REPORTING REQUIREMENTS, PRE-APPROVAL PROCEDURES FOR CERTAIN TRANSACTIONS, CODE VIOLATIONS REPORTING REQUIREMENTS, AND SAFEGUARDING OF MATERIAL NON-PUBLIC INFORMATION ABOUT CLIENT TRANSACTIONS. FURTHER, CFSC'S CODE OF ETHICS ESTABLISHES CFSC'S EXPECTATION FOR BUSINESS CONDUCT. A COPY OF OUR CODE OF ETHICS WILL BE PROVIDED TO ANY CLIENT OR PROSPECTIVE CLIENT UPON REQUEST

## **BROKERAGE PRACTICES**

ADVISORY REPRESENTATIVES MAY BE REGISTERED REPRESENTATIVES WITH CFSC IN ITS CAPACITY AS A REGISTERED BROKER-DEALER. ADVISORY REPRESENTATIVES ARE SUBJECT TO RULES OF THE FINANCIAL INDUSTRY REGULATORY ASSOCIATION (FINRA) AND ARE LIMITED TO EXECUTING SECURITIES TRANSACTIONS THROUGH CFSC UNLESS ADVISORY REPRESENTATIVES OBTAIN AUTHORIZATION TO EXECUTE SECURITIES TRANSACTIONS THROUGH ANOTHER BROKER-DEALER. AUTHORIZATIONS TO EXECUTE SECURITIES TRANSACTIONS THROUGH ANOTHER BROKER-DEALER ARE GENERALLY VERY LIMITED.

CLIENTS ARE ADVISED CFSC MAY BUY SECURITIES FROM OR SELL SECURITIES IT OWNS TO CLIENTS. SUCH TRANSACTIONS ARE REFERRED TO AS PRINCIPAL TRANSACTIONS. CFSC HAS A FIDUCIARY OBLIGATION TO OBTAIN BEST EXECUTION FOR ITS CLIENTS. PRINCIPAL TRANSACTIONS MAY HAVE SEVERAL CONFLICTS OF INTEREST, INCLUDING BUT NOT LIMITED TO, THE POTENTIAL FOR CFSC TO EARN A COMMISSION IN ADDITION TO CFSC'S ADVISORY FEE ON THE TRANSACTION. SUCH COMMISSIONS MAY BE MORE OR LESS THAN IF THE TRANSACTIONS WAS CONDUCTED OUTSIDE OF CFSC CLIENTS MAY DECLINE ANY PRINCIPAL TRANSACTION AND MAY RESTRICT CFSC FROM ENGAGING IN PRINCIPAL TRANSACTIONS ON THE CLIENT'S BEHALF. IN ANY PRINCIPAL TRANSACTION CONDUCTED ON BEHALF OF A CLIENT, THE CLIENT WILL BE PROVIDED THE CURRENT QUOTED PRICE FOR THE PROPOSED TRANSACTION, CURRENT BEST PRICE INFORMATION, WHETHER OR NOT CFSC WILL MATCH OR BEAT THE BEST MARKET PRICE AVAILABLE AT THE TIME OF EXECUTION OF THE TRANSACTION AND DISCLOSURE OF ANY COMMISSION CHARGES.

ADVISORY REPRESENTATIVES OF CFSC MAY BUY OR SELL SECURITIES IDENTICAL TO THOSE SECURITIES RECOMMENDED TO CLIENTS. THEREFORE, ADVISORY REPRESENTATIVES MAY HAVE AN INTEREST OR POSITION IN CERTAIN SECURITIES THAT ARE ALSO RECOMMENDED AND BOUGHT OR SOLD TO CLIENTS. ADVISORY REPRESENTATIVES WILL NOT PUT THEIR INTERESTS BEFORE A CLIENT'S INTEREST. CFSC IS REQUIRED TO MAINTAIN A LIST OF ALL SECURITIES HOLDINGS FOR ITS ASSOCIATED PERSONS. FURTHER, ASSOCIATED PERSONS ARE PROHIBITED FROM TRADING ON NON-PUBLIC INFORMATION OR SHARING SUCH INFORMATION. CLIENTS HAVE THE RIGHT TO DECLINE ANY INVESTMENT RECOMMENDATION. CFSC AND ITS ASSOCIATED PERSONS ARE REQUIRED TO CONDUCT THEIR SECURITIES AND INVESTMENT ADVISORY BUSINESS IN ACCORDANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES REGULATIONS.

IT IS THE EXPRESSED POLICY OF CFSC THAT NO PERSON EMPLOYED BY CFSC MAY PURCHASE OR SELL ANY SECURITY PRIOR TO A TRANSACTION(S) IN THE SAME SECURITY BEING IMPLEMENTED FOR AN ADVISORY ACCOUNT, AND THEREFORE, PREVENTING SUCH EMPLOYEES FROM BENEFITING FROM TRANSACTIONS PLACED ON BEHALF OF ADVISORY ACCOUNTS.

AS THESE SITUATIONS REPRESENT A CONFLICT OF INTEREST, CFSC HAS ESTABLISHED THE FOLLOWING RESTRICTIONS IN ORDER TO ENSURE ITS FIDUCIARY RESPONSIBILITIES:

- AN OFFICER OR EMPLOYEE OF CFSC SHALL NOT BUY OR SELL SECURITIES FOR THEIR PERSONAL PORTFOLIO(S) WHERE THEIR DECISION IS SUBSTANTIALLY DERIVED, IN WHOLE OR IN PART, BY REASON OF HIS OR HER EMPLOYMENT UNLESS THE INFORMATION IS ALSO AVAILABLE TO THE INVESTING PUBLIC ON REASONABLE INQUIRY. NO PERSON OF CFSC SHALL PREFER HIS OR HER OWN INTEREST TO THAT OF THE ADVISORY CLIENT.
- CFSC MAINTAINS A LIST OF ALL SECURITIES HOLDINGS FOR ITSELF AND FOR ANYONE ASSOCIATED WITH THIS ADVISORY PRACTICE WITH ACCESS TO ADVISORY RECOMMENDATIONS. THESE HOLDINGS ARE REVIEWED ON A REGULAR BASIS BY AN APPROPRIATE OFFICER OR DESIGNATED INDIVIDUAL OF CFSC.
- ALL CLIENTS ARE FULLY INFORMED THAT CERTAIN INDIVIDUALS MAY RECEIVE SEPARATE COMPENSATION WHEN EFFECTING TRANSACTIONS DURING THE IMPLEMENTATION PROCESS.
- CFSC EMPHASIZES THE UNRESTRICTED RIGHT OF THE CLIENT TO DECLINE TO IMPLEMENT ANY ADVICE RENDERED, EXCEPT IN SITUATIONS WHERE CFSC IS GRANTED DISCRETIONARY AUTHORITY OF THE CLIENT'S ACCOUNT.
- CFSC EMPHASIZES THE UNRESTRICTED RIGHT OF THE CLIENT TO SELECT AND CHOOSE ANY BROKER OR DEALER, AND/OR INSURANCE COMPANY, HOWEVER, CFSC'S ACTIVITIES MAY BE LIMITED OR RESTRICTED SHOULD CLIENT SELECT ANOTHER BROKER OR DEALER.
- CFSC REQUIRES THAT ALL INDIVIDUALS MUST ACT IN ACCORDANCE WITH ALL APPLICABLE FEDERAL AND STATE REGULATIONS GOVERNING REGISTERED INVESTMENT ADVISORY PRACTICES. ANY INDIVIDUAL NOT IN OBSERVANCE OF THE

ABOVE MAY BE SUBJECT TO TERMINATION

## **REVIEW OF ACCOUNTS**

### **FINANCIAL PLANNING & CONSULTING SERVICES**

REVIEWS WILL BE CONDUCTED WITH CLIENTS NOT LESS THAN ANNUALLY OR AS AGREED BY CLIENT AND ADVISORY REPRESENTATIVE. CLIENTS MAY BE CHARGED AN ADVISORY FEE FOR ADDITIONAL REVIEWS.

### **INDIVIDUAL CUSTOM MANAGED PORTFOLIOS**

CFSC MAY CONDUCT REVIEWS ON A QUARTERLY BASIS FOR CUSTOM CLIENT PORTFOLIOS. ALL UNDERLYING SECURITIES MANAGED BY CFSC ARE CONTINUOUSLY MONITORED. REVIEWS WILL BE CONDUCTED WITH CLIENTS AT NO LESS THAN ANNUALLY OR AS AGREED BY CLIENT AND ADVISORY REPRESENTATIVE.

### **ADDITIONAL INFORMATION REGARDING REVIEWS OF ACCOUNTS**

CLIENTS MAY REQUEST MORE FREQUENT REVIEWS AND MAY SET THRESHOLDS FOR TRIGGERING EVENTS THAT WOULD CAUSE A REVIEW TO OCCUR. GENERALLY, ADVISORY REPRESENTATIVES WILL MONITOR ACCOUNTS FOR CHANGES OR SHIFTS IN THE ECONOMY, CHANGES TO THE MANAGEMENT AND STRUCTURE OF A MUTUAL FUND OR COMPANY IN WHICH CLIENT ASSETS ARE INVESTED, AND MARKET SHIFTS AND CORRECTIONS. CLIENTS ARE ADVISED THAT THEY SHOULD NOTIFY THEIR ADVISORY REPRESENTATIVE PROMPTLY OF ANY CHANGES TO THE CLIENT'S FINANCIAL GOALS, OBJECTIVES OR FINANCIAL SITUATION AS SUCH CHANGES MAY REQUIRE ADVISORY REPRESENTATIVE TO REVIEW THE CLIENTS PORTFOLIO AND MAKE RECOMMENDATIONS FOR CHANGES.

### **REVIEWERS**

REVIEWS OF CLIENT ACCOUNTS WILL BE CONDUCTED BY THE CLIENT'S ADVISORY REPRESENTATIVE OF RECORD. CLIENTS HAVE THE CHOICE TO SELECT THEIR ADVISORY REPRESENTATIVE.

### **REGULAR REPORTS PROVIDED TO CLIENTS**

BASED ON THE CLIENTS SELECTION OF SERVICES, REPORTS MAY BE PROVIDED AS FOLLOWS:

- A. FINANCIAL PLANNING SERVICES – AT THRESHOLDS DETERMINED IN INTERVIEW AND UPON COMPLETION OF THE WRITTEN FINANCIAL PLAN.
- B. CUSTOM PORTFOLIO MANAGEMENT – UPON EXECUTION OF EACH TRANSACTION, CLIENT SHALL RECEIVE A CONFIRM FROM CUSTODIA. DURING ANY MONTH WITH A TRANSACTION, CLIENT SHALL RECEIVE A MONTHLY STATEMENT. ACCOUNTS SHALL BE REVIEWED NO LESS THAN ANNUALLY.
- C. THIRD PARTY MANAGERS – PERIODIC REPORTING VARIES BY MANAGER. HOWEVER, REPORTING SHALL BE NO LESS THAN ANNUALLY.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

ADVISORY REPRESENTATIVES WHO ARE REGISTERED REPRESENTATIVES OF CFSC MAY RECEIVE TRAIL COMMISSIONS (I.E. 12B-1 FEES) FOR A PERIOD OF TIME. LOAD AND NO-LOAD MUTUAL FUNDS MAY PAY ANNUAL DISTRIBUTION CHARGES, SOMETIMES REFERRED TO AS 12B-1 FEES. 12B-1 FEES COME FROM FUND ASSETS, THEREFORE, INDIRECTLY FROM CLIENT ASSETS. 12B-1 FEES MAY BE INITIALLY PAID TO CFSC AND A PORTION PASSED TO THE ADVISORY REPRESENTATIVES. THE RECEIPT OF SUCH FEES COULD REPRESENT AN INCENTIVE FOR ADVISORY REPRESENTATIVES TO RECOMMEND FUNDS WITH 12B-1 FEES OVER FUNDS THAT HAVE NO FEES OR LOWER FEES. AS A RESULT, THERE IS A CONFLICT OF INTEREST.

FIRST SOUTHWEST COMPANY MAKES AVAILABLE TO CFSC OTHER PRODUCTS AND SERVICES THAT BENEFIT CFSC BUT MAY NOT BENEFIT ITS CLIENTS' ACCOUNTS. SOME OF THESE OTHER PRODUCTS AND SERVICES ASSIST CFSC IN MANAGING AND ADMINISTERING CLIENTS' ACCOUNTS. THESE INCLUDE SOFTWARE AND OTHER TECHNOLOGY THAT PROVIDE ACCESS TO CLIENT ACCOUNT DATA, SUCH AS TRADE CONFIRMATION 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 CFSC'S FEES FROM ITS CLIENTS' ACCOUNTS; AND ASSIST WITH BACK-OFFICE FUNCTIONS, RECORDKEEPING AND CLIENT REPORTING. MANY OF THESE SERVICES GENERALLY MAY BE USED TO SERVICE ALL OR A SUBSTANTIAL NUMBER OF CFSC'S ACCOUNTS, INCLUDING ACCOUNTS NOT MAINTAINED AT FIRST SOUTHWEST COMPANY. FIRST SOUTHWEST COMPANY ALSO MAKES AVAILABLE TO CFSC OTHER SERVICES INTENDED TO HELP CFSC MANAGE AND FURTHER DEVELOP ITS BUSINESS ENTERPRISE. THESE SERVICES MAY INCLUDE CONSULTING, PUBLICATIONS AND CONFERENCES ON PRACTICE MANAGEMENT, INFORMATION TECHNOLOGY, BUSINESS SUCCESSION, REGULATORY COMPLIANCE AND MARKETING. IN ADDITION, FIRST SOUTHWEST COMPANY MAY MAKE AVAILABLE, ARRANGE AND/OR PAY FOR THESE TYPES OF SERVICES RENDERED TO CFSC BY INDEPENDENT THIRD PARTIES. FIRST SOUTHWEST COMPANY 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 CFSC. WHILE AS A FIDUCIARY, CFSC ENDEAVORS TO ACT IN ITS CLIENTS' BEST INTERESTS, AND CFSC'S RECOMMENDATION THAT CLIENTS MAINTAIN THEIR ASSETS IN ACCOUNTS AT FIRST SOUTHWEST COMPANY MAY BE BASED IN PART ON THE BENEFIT TO CFSC OF THE AVAILABILITY OF SOME OF THE FOREGOING PRODUCTS AND SERVICES AND NOT SOLELY ON THE NATURE, COST OR QUALITY OF CUSTODY AND BROKERAGE SERVICES PROVIDED BY FIRST SOUTHWEST COMPANY WHICH MAY CREATE A CONFLICT OF INTEREST.

CLIENTS ARE ADVISED, SHOULD A NEW ISSUE BOND BE PURCHASED IN THEIR MANAGED ACCOUNT, CFSC AND THE ADVISORY REPRESENTATIVE WILL RECEIVE A CONCESSION AS A RESULT OF THE PURCHASE. HOWEVER, CFSC DOES NOT IN ANYWAY MARK UP THE CONCESSION FEE. THE CONCESSION IS IN ADDITION TO ANY ADVISORY FEE RECEIVED BY

CFSC AND IS NOT OFFSET AGAINST THE FEE. CLIENTS ARE ADVISED THIS IS A CONFLICT OF INTEREST FOR CFSC TO PURCHASE NEW ISSUE BONDS AS A RESULT OF THE POTENTIAL RECEIPT OF THE CONCESSION FEE.

#### **REFERRAL FEE PAYMENTS**

CFSC DOES NOT COMPENSATE, EITHER DIRECTLY OR INDIRECTLY, ANY PERSON (DEFINED AS A NATURAL PERSON OR A COMPANY) FOR CLIENT REFERRALS.

#### **CUSTODY**

CFSC DOES NOT MAINTAIN CUSTODY OF CLIENT SECURITIES OR FUNDS. CLIENTS RECEIVE ACCOUNT STATEMENTS DIRECTLY FROM THE RESPECTIVE CUSTODIAN, BANK OR BROKER-DEALER. CFSC UTILIZES THE CUSTODIAL SERVICES OF FIRST SOUTHWEST COMPANY OF DALLAS, TEXAS TO HOLD CLIENT FUNDS AND SECURITIES. THOUGH CLIENTS MAY RECEIVE STATEMENTS FROM CFSC, CLIENTS SHOULD ALWAYS COMPARE THE REPORTS WITH THE STATEMENTS PROVIDED BY THE CUSTODIAN. INCLUDED IN THE CLIENT SERVICES AGREEMENT WHICH EACH INVESTMENT ADVISORY CLIENT IS REQUIRED TO EXECUTE IS THE AUTHORIZATION FOR CFSC TO WITHDRAW ADVISORY FEES DIRECTLY FROM THE CLIENT ACCOUNT. CONCURRENT WITH THE WITHDRAWAL OF FEES FROM A CLIENT ACCOUNT HELD AT A CUSTODIAN BY CFSC, THE CLIENT SHALL RECEIVE A STATEMENT FROM CUSTODIAN INDICATING AMOUNT OF FEE WITHDRAWN.

#### **DISCRETION**

CFSC ACCEPTS DISCRETIONARY AUTHORITY OVER THE ASSETS ITS MANAGES ON BEHALF OF ITS CLIENTS. ALL CLIENTS ARE REQUIRED TO EXECUTE A CLIENT SERVICES AGREEMENT WHICH GRANTS DISCRETION TO CFSC. THE CLIENT GRANTS CFSC LIMITED DISCRETION AS TO THE SECURITIES TO BE PURCHASED OR SOLD, THE QUANTITY OF SECURITIES TO BE PURCHASED OR SOLD AND THE PRICE TO BE PAID FOR ANY PURCHASE OR SALE. CFSC IS NOT AUTHORIZED TO WITHDRAW FUNDS FROM A CLIENT'S ACCOUNT EXCEPT FOR THE WITHDRAWAL OF MANAGEMENT FEES WHICH REQUIRE THAT THE CLIENT AUTHORIZE THE WITHDRAWAL. THE CUSTODIAN WILL PROVIDE A STATEMENT TO THE CLIENT SHOWING THE AMOUNT OF FEES WITHDRAWN.

#### **VOTING CLIENT SECURITIES (PROXY)**

CFSC DOES NOT VOTE CLIENT PROXIES.

#### **FINANCIAL INFORMATION**

CFSC DOES NOT COLLECT MORE THAN \$1200 IN FEES PER CLIENT SIX MONTHS OR MORE IN ADVANCE.

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

**COLORADO FINANCIAL SERVICE CORPORATION  
COMPLIANCE DEPARTMENT  
304 INVERNESS WAY SOUTH, SUITE 355  
CENTENNIAL, COLORADO 80112**