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Part 2a of form adv / Disclosure Brochure
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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.

2 MATERIAL CHANGES

3 TABLE OF CONTENTS

1	COVER PAGE.....	1
2	MATERIAL CHANGES.....	2
3	TABLE OF CONTENTS.....	3
4	ADVISORY BUSINESS.....	5
4.1	TYPES OF ADVISORY SERVICES OFFERED	5
4.1.1	Financial Planning and Consulting	5
4.1.2	IAR Directed Asset Management Services.....	6
4.1.3	Selection of Advisory Programs or Services Sponsored by Third Parties Managers.....	6
4.2	ASSETS UNDER MANAGEMENT	7
4.3	GENERAL DISCLOSURES	7
4.4	WARRANTEES / REPRESENTATIONS	8
4.5	PRIVACY NOTICE	8
5	FEES AND COMPENSATION	8
5.1	FINANCIAL PLANNING SERVICES	8
5.2	IAR DIRECTED ASSET MANAGEMENT SERVICES	9
5.3	THIRD PARTY SPONSORED ADVISORY SERVICES	10
6	PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT	10
7	TYPES OF CLIENTS	10
8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	10
9	DISCIPLINARY INFORMAITON.....	11
10	OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS	11
11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	11
11.1	CODE OF ETHICS	11
11.2	PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS.....	12
11.3	PERSONAL TRADING.....	12
12	BROKERAGE PRACTICES.....	13
12.1	SOFT DOLLAR PRACTICES	13
12.2	CLIENT REFERRALS	13
12.3	DIRECTED BROKERAGE	13
12.4	TRADE AGGREGATION (ALSO KNOW AS BUNCHING TRADE OR BUNDLED TRADE).....	14
13	REVIEW OF ACCOUNTS	14
13.1	REVIEW OF FINANCIAL PLANNING & CONSULTING SERVICES	14
13.2	REVIEW OF IAR DIRECTED MANAGED ACCOUNTS.....	14
13.3	THIRD PARTY SPONSORED ADVISORY PROGRAM ACCOUNTS	14
13.4	ADDITIONAL INFORMATION REGARDING REVIEWS	14
13.5	REGULAR REPORTS PROVIDED TO CLIENTS	15
14	CLIENT REFERRALS AND OTHER COMPENSATION	15
14.1	REFERRAL FEE PAYMENTS	15
14.2	OTHER COMPENSATION.....	15
15	CUSTODY	16
16	INVESTMENT DISCRETION	16

17	VOTING CLIENT SECURITIES	17
18	FINANCIAL INFORMATION.....	17

4 ADVISORY BUSINESS

Colorado Financial Service Corporation ("CFSC") was organized in 2000 as a securities Broker-Dealer to provide securities and securities related services to individuals and institutional clientele. In addition to being an Investment Adviser, CFSC is also registered as a Broker-Dealer with the U.S Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

Colorado Financial Service Corporation is owned by TCD Development Corporation. Chester Hebert who is CFSC's CEO and CCO owns more than 75% of TCD Development.

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 Investment Advisor Representatives ("IAR" or "IARs" or "IAR(s)") are able to effect securities transactions and purchase insurance products for clients. Such IARs 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 IARs 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 judgment of IARs when making recommendations.

CFSC is a newly registered Investment Advisory firm. Due to that, at the present time, CFSC has no assets under its management.

4.1 Types of Advisory Services Offered

CFSC through its IARs offers various investment advisory services to clients depending on the client's needs. Services that we offer are:

- A. Financial Planning and Consulting Services
- B. IAR Directed Asset Management Services
- C. Selection of Advisory Programs of Services Sponsored by Third Party Managers

Please note that CFSC does not hold itself out as specializing in particular types of advisory product or service.

4.1.1 Financial Planning and Consulting

CFSC through its IARs offers various financial planning and consulting services for a fee. IARs 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 IARs in order to provide the investment advisory services requested. Based upon client's needs, IARs 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.
- 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 his or her IAR(s). 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. Neither CFSC nor its IARs 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 the IAR(s) 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.

4.1.2 IAR Directed Asset Management Services

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 and bonds, and /or other securities deemed appropriate for the client and situation. Clients are advised that such client portfolios may result in both higher advisory fees and account service fees.

4.1.3 Selection of Advisory Programs or Services Sponsored by Third Parties Managers

CFSC has relationships with various third party managers not affiliated with CFSC to offer clients alternatives to asset management services and programs.

IARs will assist client in evaluating their financial situation to assist client in determining the suitability of a third party manager's service. IARs 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.

Neither CFSC nor its IARs take custody of client assets. Neither CFSC nor its IARs will 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 can execute the transactions through CFSC in its capacity as a broker/dealer. In this case, as a result of such securities transactions being directed through CFSC, commissions will 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 will 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.

4.2 Assets under Management

At the present time, CFSC is entering the investment advisory services business. Therefore, it does not have an asset value or number of client account to disclose.

4.3 General Disclosures

Advice offered by IARs 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 IARs can be registered representatives of CFSC, a registered broker/dealer, member of the Financial Industry Regulatory Association ("FINRA") and SIPC. In this case, therefore, IARs have a conflict of interest in recommending mutual funds that carry a load since such mutual funds will pay IARs a commission should the purchase be made through IARs.

A conflict of interest may exist between the interests of CFSC and/or its IARs and the interests of the client in that CFSC and IARs 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 IARs 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 2 that could cause the CFSC or IARs 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 IARs 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 their IARs promptly with respect to any changes in the client's financial situation and investment goals and objectives. Failure to notify IARs of any such changes could result in investment recommendations not meeting the needs of the client.

Clients are advised that IARs are generally independent contractors. As such, IARs receive a portion of the advisory fees charged to clients through CFSC. The portion of the advisory fees received by an IAR may vary from IAR to IAR depending on factors including, but not limited to, the IAR'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 IARs may vary and are negotiable but will not exceed the fee schedules printed herein.

4.4 Warrantees / Representations

CFSC does not represent, warrant or imply that the services or methods of analysis used by CFSC or IARs 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 or IARs will provide a better return than other investment strategies. The level of experience of IARs will vary.

4.5 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.

5 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.

5.1 Financial Planning Services

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, IARs 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 or IARs 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.

5.2 IAR Directed Asset Management Services

Clients pay CFSC and IARs the asset based advisory fees for advisory services performed in connection with the account. Clients can negotiate their Advisory Fee with their IARs.

The asset based fees should not exceed the fee schedule below (default fee schedule). Please note that when a client does not select any negotiated fee schedule, the default fee schedule will be automatically applied.

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 will be charged various fees by custodian including execution fees, custodial fees, etc.

Please note that the same services may be also available elsewhere at amounts higher or lower than those charged by CFSC.

5.3 Third Party Sponsored Advisory Services

Clients will pay an advisory fee to the third party sponsoring firm 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 Document (also know as Form ADV Par 2A or Brochure). Clients should read the third party manager's Disclosure Document thoroughly prior to entering into any advisory agreement.

CFSC and its IARs receive referral fees from the third party sponsoring firm. Clients must also acknowledge such compensation arrangement by signing the solicitor's acknowledgement.

6 PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

CFSC does not accept performance based fees

7 TYPES OF CLIENTS

CFSC provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and corporations.

8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

CFSC does not have any proprietary advisory programs or services directly sponsored by CFSC. Rather, CFSC provides advisory services through its IARs. Therefore, CFSC does not have any proprietary analysis or investment strategies or investment formula in providing or managing clients' accounts. Therefore, IARs have the ability to use any third party research providers to tailor investment models and/or strategies to meet their clients' needs.

For IAR directed asset management services, each IAR will develop their own investment strategies or a group of portfolio strategies or asset allocation models based on each IAR's research and analysis. Each IAR will provide a copy of the IAR's brochure supplement with information regarding models or strategies the IAR utilizes.

With each investment strategy, there comes a certain level of risk. IARs will 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.

Please note that certain IARs recommend or implement investment strategies, such as tactical allocation or timing strategies, which generally require frequent trading of securities in the account. Frequent trading activities in the account do not guarantee profitability in the account. Frequent trading activities do not guarantee probability of making profits in the account either; rather, it can increase the overall risk. Since frequent trading incurs substantial transaction charges, such trading strategies could reduce the overall profitability in the account. Frequent trading activities also have tax ramifications. CFSC urges clients to consult with a competent tax advisor or tax consultant in this subject matter.

9 DISCIPLINARY INFORMATION

Neither CFSC nor its principals have any disciplinary information.

10 OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS

CFSC is a broker-dealer and has a fully disclosed clearing arrangement with First Southwest Company. 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.

CFSC has selling agreements with various unaffiliated third party investment advisory firms for the purpose of having their advisory programs or services available to our clients. Under this arrangement, CFSC and IARs share in compensation as a result of referring clients to third party advisory firms.

Due to the fact that this arrangement is strictly a referral arrangement, neither CFSC nor its IARs participates in or affects any decisions regarding securities transactions. In other words, the unaffiliated third party investment advisory firms independently make decisions on selecting specific securities or types of securities. Therefore, when/if CFSC restricts certain securities for transactions due to the fact that CFSC and/or its associated persons may have obtained or possessed, intentionally or inadvertently, any material non-public information, CFSC will not share such restriction information with unaffiliated third party advisory firms. Consequently, third party advisory firms could affect transactions of such securities. Such transactions will also give an appearance of insider trading. However, since neither CFSC nor its associated persons participate in the securities selection process, CFSC will neither view nor treat them as insider transactions.

11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

11.1 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 IARs, 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

11.2 Participation or Interest in Client Transactions

IARs can buy or sell securities identical to those securities recommended to their clients. Therefore, IARs may have an interest or position in certain securities that are also recommended and bought or sold to clients. IAR will not put their interests before a client's interest. To ensure that IARs do not place their interests ahead of their clients' CFSC requires IARs' Supervisors to monitor IARs' personal securities transactions.

CFSC maintains a list of securities holdings and transactions for IARs and other associated persons who are subject to the firm's Code of Ethics. Further, all associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. IARs are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

11.3 Personal Trading

CFSC maintains a list of securities holdings and transactions for its IARs and other associated persons who are subject to the firm's Code of Ethics. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. IARs 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 IARs 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 IARs 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 and transactions for anyone associated with this advisory practice with access to advisory recommendations. These holdings and transactions are reviewed on a regular basis by an appropriate officer or designated individual of CFSC.

- All clients are fully informed that certain individuals can 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 or an IAR 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 and/or IARs' 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

12 BROKERAGE PRACTICES

12.1 Soft Dollar Practices

At the present time, CFSC does not have any soft dollar arrangement. When CFSC enters into any soft dollar arrangement, it will be disclosed in this section.

12.2 Client Referrals

CFSC does not receive any compensation or reward from unaffiliated third party broker-dealers for referring our clients for transactions with the broker-dealer.

However, as mentioned in section 4 of this document, when clients open an account under the firm's introducing broker-dealer arrangement with First Southwest, CFSC and its IARs, in its capacity as a broker-dealer and Registered Representatives, receive transaction based compensation.

12.3 Directed Brokerage

For the Account(s) custodied at First Southwest Company, securities transactions will be executed through CFSC unless Client directs CFSC, in writing, to direct client's brokerage transactions to another broker-dealer. Client acknowledges that CFSC may be unable to negotiate the cost associated with Client's securities transactions at another broker-dealer and that the cost to Client may be higher.

Some IARs are registered representatives with CFSC in its capacity as a registered broker-dealer. Therefore, they are subject to rules of the Financial Industry Regulatory Association (FINRA) and are limited to executing securities transactions through CFSC unless IARs obtain authorization to execute securities transactions through another broker-dealer. Authorizations to execute securities transactions through another broker-dealer are generally very limited.

12.4 Trade Aggregation (also know as bunching trade or bundled trade)

CFSC or IARs will aggregate discretionary securities transactions, if needed. In addition, securities transactions of IARs' personal or related accounts can be included in aggregated securities transactions. CFSC or IARs utilize trade aggregation for the purpose of giving equal price to clients when the transaction is for the same security in multiple accounts on a given day. By doing so, all clients participating in the transaction will receive the same price. In addition, by doing so, neither CFSC nor IARs will favor one client over another in placing the securities transactions order. In other words, it will help to eliminate any conflict of interest raised when IARs also participate in the same securities transactions with clients.

Please note that when/if not possible to aggregate transactions (i.e., system failure or technical difficulty), IARs may enter securities transactions one at a time. In this case, each transaction will or can receive different price. However, the firm's policy prohibits IARs from exercising their favoritism of one client over another client in order entry. IARs will provide you a list of all prices executed for his or her client accounts on the same day for the same security and the same side of transactions per your request.

13 REVIEW OF ACCOUNTS

13.1 Review of Financial Planning & Consulting Services

Reviews will be conducted with clients per the client's request. Therefore, the frequency of review varies based on the client's requests. Clients will be charged an advisory fee for each review.

13.2 Review of IAR Directed Managed Accounts

The IAR initially reviews the client's investment objectives, financial status, financial goals and needs with the client. As long as the account is still managed by the IAR under the advisory agreement, the IAR will continuously monitor the account and contact the client at least annually. The annual contact is for the purpose of determining what, if any, adjustments or recommendations the IAR should make to the client's account.

13.3 Third Party Sponsored Advisory Program Accounts

The IAR initially reviews the client's investment objectives, financial status, financial goals and needs with the client. As long as the account is still managed by third party manager, the third party manager will continuously monitor the account.

In addition, the IAR will contact the client at least annually. The annual contact is for the purpose of determining what, if any, adjustments or recommendations the IAR should make to the selection of third party managers or investment model portfolios offered by the third party sponsor.

13.4 Additional Information Regarding Reviews

Clients can request more frequent reviews and set thresholds for triggering events that would cause a review to occur.

13.5 Regular Reports Provided to Clients

Based on the client's selection on services, reports will be provided as follows:

- A. Financial Planning Services – At thresholds determined in interview and upon completion of the written plan
- B. IAR Directed Managed Accounts – Upon execution of each transaction, client shall receive a confirmation directly from the custodian. During any month with a transaction, client shall receive a monthly account statement.
- C. Third Party Sponsored Advisory Program Accounts – Periodic reporting varies by third party sponsors. However, the account statements shall be provided directly by the custodian no less than quarterly.

14 CLIENT REFERRALS AND OTHER COMPENSATION

14.1 Referral Fee Payments

Neither CFSC nor its IARs compensate, either directly or indirectly, any unaffiliated individuals or entities for client referrals.

14.2 Other Compensation

IARs who are also Registered Representatives of CFSC receive additional compensation such as, trail commissions (i.e. 12b-1 fees), for a period of time. Certain load and no-load mutual funds 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 are initially paid to CFSC and a portion passed to the IARs. The receipt of such fees could represent an incentive for IARs 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.

To ensure that the receipt of such additional fees does not hinder IARs in providing advisory services to their clients, CFSC neither promotes nor endorses any particular products for its higher fees or additional compensation.

For accounts held with a clearing firm, First Southwest Company, under the introducing broker-dealer arrangement, CFSC, in its capacity as a broker-dealer, receives transaction based compensation by marking-up the transaction cost charged by the clearing firm. CFSC also generates additional revenue from certain costs charged by the clearing firm. CFSC does not share the mark-up or additional revenue with its IARs. Therefore, it does not create additional conflicts of interest for IARs when they direct any securities transactions for their advisory client accounts held under this arrangement.

CFSC does not share the profit from the mark-up with IARs. CFSC does not share such revenue with its IARs. Therefore, it does not create additional conflicts of interest for IARs when they participate or direct any securities transactions for their advisory client accounts held under this arrangement.

Clients are advised, should a new issue be purchased in their advisory account, CFSC and the IAR 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 the IAR and is not offset against the advisory fee. Clients are advised this is a conflict of interest for CFSC and IARs to purchase new issues as a result of the potential receipt of the concession fee.

If CFSC holds any internal meetings, such as annual national or regional conferences, CFSC will receive contribution from unaffiliated third party product sponsors and service providers for the exchange of offering them a booth or presentation opportunities during the conference. The purpose of such conferences are to provide ongoing educational and training opportunities to IARs in various areas, including advisory products and services and compliance related issues in such products and services.

Clients do not pay more to purchase products or services provided by the contributing sponsors or providers. Nevertheless, the receipt of such contribution will possibly provide a financial incentive for CFSC to promote certain products or services over others. However, CFSC does not pass any financial or economic benefit received from such product or service providers to IARs. Therefore, such contribution should not raise any direct conflict of interest in IARs providing advisory services to their clients.

When IARs attend seminars or training and educational conferences sponsored by third party product or service providers, costs of attending such events will be reimbursed by the product or service provider. IARs can also receive promotional items, meals or entertainment or other non-cash compensation from the sponsor as permitted by the regulatory rules and internal policies and procedures. However, neither CFSC nor IARs receive any monetary benefit from attending such event.

15 CUSTODY

Neither CFSC nor its IARs maintain custody of client securities or funds. Clients receive at least quarterly, account statements directly from the respective custodian, bank, broker-dealer or other qualified custodian that holds and maintains clients' accounts.

Depending on the advisory services clients select, clients can receive additional account reports, such as quarterly performance report, if available. CFSC urges clients review such reports and 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, the client shall receive a statement from custodian indicating amount of fee withdrawn.

16 INVESTMENT DISCRETION

For IAR directed asset management services, IARs make investment decisions in selecting securities types and specific securities when clients choose IARs to manage their accounts on a discretionary basis by executing a client services agreement which grants discretion to their IAR(s). The discretion is limited 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.

Neither CFSC nor IARs are 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.

For third party investment advisory program accounts, the third party investment adviser makes investment decisions. Therefore, neither CFSC nor its IARs make any decisions on selecting any securities types or specific securities for the accounts managed by third party investment advisory firms.

17 VOTING CLIENT SECURITIES

Neither CFSC nor its IARs take any action or render any advice to clients with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in clients' accounts.

In other words, clients retain the authority and responsibility to vote proxies for their accounts. The custodian will directly deliver all proxies and its related materials to the client. In addition, neither CFSC nor its IARs have any obligation to render advice or take any action with respect to securities or other investments, or the issuers thereof, which become subject to any legal proceeding, including bankruptcies.

For third party investment advisory program accounts, clients can delegate the third party investment adviser for proxy voting if the third party investment advisor accepts such authority and responsibility on behalf of clients. For third party investment advisers' proxy voting practice, please refer to section 17 of the third party investment adviser's Part 2A of Form ADV, disclosure document.

18 FINANCIAL INFORMATION

Neither CFSC nor its IARs:

- Have or maintain clients' funds or securities in its possession; or
- Require or solicit prepayment of more than \$1200 and six months or more in advance in advisory fees.

Therefore, neither CFSC nor its IARs have financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

In addition, CFSC has not been the subject of a bankruptcy proceeding.