



CPS Investment Advisors

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March 15, 2012

Chas P. Smith & Associates, PA, CPA's conducts its advisory business under the name CPS Investment Advisors (hereinafter referred to as CPS). This Brochure provides information about the qualifications and business practices of CPS. If you have any questions about the contents of this Brochure, please contact us at (863) 688-1725. 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.

CPS is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about CPS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 15, 2012 is prepared according to the SEC’s requirements and rules.

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The date of our last annual update of our brochure was January 25, 2011. There have been no material changes made in our Brochure since January 25, 2011. Additional services were added in Item 4 – Advisory Business.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Esther A. Barnette, Portfolio Management Supervisor at (863) 688-1725 or [estherb@cpalliance.com](mailto:estherb@cpalliance.com)

Additional information about CPS is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with CPS who are registered, or are required to be registered, as investment adviser representatives of CPS.

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## Item 4 – Advisory Business

### Direct

At the initial review of a client's portfolio, CPS may give advice on all investments owned by the client. CPS has discretionary authority (with respect to the purchase and sale of securities) and provides ongoing supervisory services for each account.

**Investment Supervisory Services:** CPS provides Investment Supervisory Services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, CPS determines the client's goals and objectives. CPS then develops a client's personal investment policy and creates and manages a portfolio based on that policy. CPS provides this service to individuals, trusts, estates, charitable organizations, pension and profit sharing plans, and corporations. CPS will manage advisory accounts on a discretionary basis. Account supervision is guided by the stated objectives of the client (i.e. All Stock, Aggressive, Moderate, Conservative, Low Risk, and Fixed Income).

**CPS Investment Advisors 401(k) Services:** CPS offers Investment supervisory services through its 401(k) Daily Valuation program. This is a service CPS offers to companies. CPS hires a third party administrator to perform accounting and document preparation functions. CPS handles all of the investment decisions. CPS does not provide reports to the Participants.

**401(k) Pilot Services:** CPS offers Investment supervisory services through its 401(k) Pilot program. This is a limited service CPS Offers to participants in company 401(k) plans. CPS develops a client's personal investment policy and manages the investments in the 401(k) account through the Plan Administration website. CPS does not provide reports to the Participants. Participants can view reports and activity on line through the Plan Administration website.

**403(b) Services:** CPS offers Investment supervisory services through its 403(b) program. This is a limited service CPS Offers to participants in public 403(b) plans. CPS develops a client's personal investment policy and manages the investments in the 403(b) account through the ASpire Financial Services website. CPS does not provide reports to the Participants. Participants can view reports and activity on line through the ASpire Financial Services website.

**Personal Financial Counseling:** CPS also provides advice in the form of a Financial Plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to assist in achieving their stated financial goals and objectives.

In general, the financial plan will address the following areas of concern:

PERSONAL: Family records, budgeting, personal liabilities, estate information and financial goals.

TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. CPS will discuss 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.

CPS gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should the client choose to implement the recommendations contained in the plan, CPS suggests the client work closely with his/her attorney, accountant, insurance agent, and/or investment advisor. Implementation of financial planning recommendations is entirely at the client's discretion.

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. CPS also provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, CPS

provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice. Consulting recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

CPS holds seminars to help educate people on how to achieve financial independence by teaching them the fundamentals of investing and presenting different scenarios to show the affects of saving and spending money more wisely. These seminars teach direct instrument and mutual fund investing. In both situations, we discuss costs and fees associated with each as well as risk and turnover. There is no cost for the seminars. Investment advice is not tailored to the attendees.

CPS offers advice on various real estate investments including syndicated partnerships. Generally speaking, CPS' advice relates to the evaluation of these securities.

A direct client agreement may be canceled by the client at any time for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **CPAlliance<sub>tm</sub>**

CPS has discretionary authority (with respect to the purchase and sale of securities) and provides ongoing supervisory services for each account. The Certified Public Accounting/Registered Investment Advisory firm (member) participating with CPS is responsible for educating the client with respect to the types of investments available, assisting each client in determining the amount of risk versus return in various investment vehicles, and assisting each client in making an asset allocation between those various investments. It is the responsibility of the participating member to monitor the performance of the account, as it relates to meeting the objectives of the client and the asset allocation. The member will meet with the client to continually assess the client's risk tolerance and change the asset allocation as necessary. The participating member has the discretionary authority to terminate the client's contract with CPS without the client's consent. CPS and the participating member have separate contracts with the client.

**CPAlliance<sub>tm</sub> Investment Supervisory Services:** CPS offers investment supervisory services, through its alliance program to members. This program is called CPAlliance<sub>tm</sub> (hereinafter referred to as "Program"). These members that participate in CPS' Program are not affiliated with CPS by common control or ownership. Please refer to CPAlliance<sub>tm</sub> member's Form ADV for the additional services that they provide.

**CPAlliance<sub>tm</sub> 401(k) Services:** CPS offers investment supervisory services through its CPAlliance<sub>tm</sub> program to members for the 401(k) Daily Valuation service. These members that participate in CPS' program are not affiliated with CPS by common control or ownership. This is a service CPS offers to companies. CPS hires a third party administrator to perform accounting and document preparation functions. CPS handles all of the investment decisions. Please refer to CPAlliance<sub>tm</sub> member's Form ADV for the additional services that they provide. CPS does not provide reports to the Participants.

**CPAlliance<sub>tm</sub> 401(k) Pilot Services:** CPS offers investment supervisory services through its CPAlliance<sub>tm</sub> program to members. These members that participate in CPS' program are not affiliated with CPS by common control or ownership. This is a limited service CPS offers to participants in company 401(k) plans. CPS develops a client's personal investment policy and manages the 401(k) account through the Plan Administration website. CPS does not provide reports to the Participants. Participants can view reports and activity on line through the Plan Administration website. Please refer to CPAlliance<sub>tm</sub> member's Form ADV for the additional services that they provide.

A CPAlliance<sub>tm</sub> client agreement may be canceled by the client or the participating member at any time for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

## Item 5 – Fees and Compensation

All fees are subject to negotiation. All fees are calculated on assets under management and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client [SEC Rule 205 (a)(1)].

The specific manner in which fees are charged by CPS is established in a client's written agreement with CPS. CPS will generally bill its fees on a quarterly basis. Clients may also elect to be billed directly for fees or to authorize CPS to directly debit fees from client accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

CPS fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to CPS fee, and CPS shall not receive any portion of these commissions, fees, and costs.

CPS follows the guidelines set by the Securities and Exchange Commission for directly debiting advisory fees from client custodial accounts to ensure that CPS will not be deemed to have custody of client funds and/or securities with regard to the practice of direct debiting.

Clients will be invoiced in advance, at the beginning of each calendar quarter, based upon the month end values (market value or fair market value in the absence of market value, plus any margin balance) of the client's account during the previous quarter. The value of the portfolio is determined on the nearest valuation date preceding the end of the quarter, which valuation date is defined as the last day of the month.

Management of the account and the fee commences upon the signing of the agreement, unless otherwise agreed upon. If the agreement commences other than at the beginning of a quarter, a pro rata charge will be made for the initial period the portfolio is under the advisor's management prior to the beginning of a quarter on the amount agreed upon.

Management fees do not include wire fees, margin interest, overnight or registered postage charges, mutual fund sales charges, IRA custodial fees or transaction charges. These fees are charged to the client directly by the mutual fund or custodian when incurred.

Item 12 further describes the factors that CPS considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

All fees paid to CPS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of CPS. In that case, the client would not receive the services provided by CPS which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by CPS to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. When appropriate to the needs of the client, CPS may recommend the use of trading (securities sold within 30 days), margin strategies, or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

**Direct****Investment Supervisory Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

## Equity Portfolio

<u>Assets under management</u>	<u>Annual fees%</u>
The portion of assets up to \$10,000	3.000%
The portion of assets between \$10,001-\$40,000	2.000%
The portion of assets between \$40,001-\$100,000	1.000%
The portion of assets between \$100,001-\$3,000,000	1.500%
The portion of assets between \$3,000,001-\$5,000,000	1.000%
The portion over \$5 million	0.750%

## Fixed Income Portfolio

<u>Assets under management</u>	<u>Annual fees%</u>
The portion of assets up to \$500,000	1.000%
The portion of assets between \$500,001-\$3,000,000	0.750%
The portion over \$3 million	0.500%

**CPS Investment Advisors 401(k) Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

<u>Assets under management</u>	<u>Annual fees (%)</u>
The portion of assets up to \$1,000,000,000	1.000%

**401(k) Pilot Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

<u>Assets under management</u>	<u>Annual fees (%)</u>
The portion of assets up to \$10,000	3.000%
The portion of assets between \$10,001-\$40,000	2.000%
The portion of assets between \$40,001-\$100,000	1.000%
The portion of assets between \$100,001-\$3,000,000	1.500%
The portion of assets between \$3,000,001-\$5,000,000	1.000%
The portion of assets over \$5 million	0.750%

**403(b) Pilot Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

## Equity Portfolio (Aggressive, Moderate or Low Risk)

<u>Assets under management</u>	<u>Annual fees (%)</u>
The portion of assets up to \$99,000,000	1.500%

## Fixed Income Portfolio

<u>Assets under management</u>	<u>Annual fees (%)</u>
The portion of assets up to \$99,000,000	1.000%

**Personal Financial Counseling:** CPS offers financial planning services on a fixed fee basis, typically ranging from \$4,500 to \$6,500, depending on the nature and complexity of each client's circumstances. \$1,000 of the estimated fee will be due upon signing the engagement letter, with the balance due upon the completion of the plan. The unused portion of the fee will be returned if the plan is not finished within 6 months. CPS also offers a continuing monitoring service which provides the client with an annual update and quarterly monitoring phone calls to review the progress

with the plan at a monthly fee of \$250. The fee is payable as the work progresses. The client may terminate service at any time and get a full refund of any unearned portion of the fee. Under special circumstances, fees may be negotiable.

### **CPAlliance<sub>tm</sub>**

#### **CPAlliance<sub>tm</sub> Investment Supervisory Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

#### **Equity Portfolio**

<u>Assets under management</u>	<u>CPA Firm</u>	<u>CPS</u>	<u>Total</u>
The portion of assets up to \$10,000	1.500%	1.500%	3.000%
The portion of assets between \$10,001-\$40,000	1.000%	1.000%	2.000%
The portion of assets between \$40,001-\$100,000	0.500%	0.500%	1.000%
The portion of assets between \$100,001-\$3,000,000	0.750%	0.750%	1.500%
The portion of assets between \$3,000,001-\$5,000,000	0.500%	0.500%	1.000%
The portion over \$5 million	0.375%	0.375%	0.750%

#### **Fixed Income Portfolio**

<u>Assets under management</u>	<u>CPA Firm</u>	<u>CPS</u>	<u>Total</u>
The portion of assets up to \$500,000	0.500%	0.500%	1.000%
The portion of assets between \$500,001-\$3,000,000	0.375%	0.375%	0.750%
The portion over \$3 million	0.250%	0.250%	0.500%

#### **CPAlliance<sub>tm</sub> 401(k) Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

<u>Assets under management</u>	<u>CPA Firm</u>	<u>CPS</u>	<u>Total</u>
The portion of assets up to \$1,000,000,000	.500%	.500%	1.000%

#### **CPAlliance<sub>tm</sub> 401(k) Pilot Services:**

The annual fee for investment supervisory services will be charged as a percentage of assets under management, according to the schedule below:

<u>Assets under management</u>	<u>CPA Firm</u>	<u>CPS</u>	<u>Total</u>
The portion of assets up to \$10,000	1.500%	1.500%	3.000%
The portion of assets between \$10,001-\$40,000	1.000%	1.000%	2.000%
The portion of assets between \$40,001-\$100,000	0.500%	0.500%	1.000%
The portion of assets between \$100,001-\$3,000,000	0.750%	0.750%	1.500%
The portion of assets between \$3,000,001-\$5,000,000	0.500%	0.500%	1.000%
The portion over \$5 million	0.375%	0.375%	0.750%

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

CPS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or side-by-side management.

### **Item 7 – Types of Clients**

CPS provides portfolio management services to high net worth individuals, individuals, corporations, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, and other U.S. institutions.

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

CPS utilizes a number of different sources for its research and investment process, including financial publications and news, Value Line, Morningstar, annual reports, online research services, and financial newsletters, among many others. None of these services or products are obtained by the firm on a soft dollar basis.



Our investment philosophy at CPS is to stick to our value driven premise that buying securities when they are undervalued is associated with a high probability of achieving above-average returns in the future, and of course, buying securities when they are overvalued will result in a high probability of achieving lower than expected returns.

Our investment strategy is to identify companies with strong balance sheets, dependable earnings, history of increasing dividends, significant overseas exposure and a dominate player in their respective industry. We buy with a margin of safety and monitor until such time the company is over-valued, at which time it may be sold and the proceeds reinvested in another undervalued company. This process takes time, effort and experience. It requires the use of expertise and good judgment in a qualitative, as well as quantitative process, making it as much of an art as it is a science.

Investing in securities involves risk of loss that clients should be prepared to bear. CPS does not guarantee the future performance of the Account or any specific level of performance, the success of any investment decision or strategy that CPS may use, or the success of Advisor's overall management of the Account. Client understands that investment decisions made for Client's Account by CPS are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. CPS will manage only the securities, cash and other investments held in Client's Account and in making investment decisions for the Account, CPS will not consider any other securities, cash or other investments owned by Client. Except as may otherwise be provided by law, CPS will not be liable to Client for (i) any loss that Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by CPS with that degree of care, skill, prudence, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; (ii) any loss arising from CPS' adherence to Client's instructions; or (iii) any act or failure to act by the Custodian, any broker or dealer to which CPS directs transactions for the Account, or by any other third party. This limitation on liability is valid, however, only to the extent it does not violate federal and state securities laws. Federal and state securities laws impose liabilities under certain circumstances on persons who nonetheless act in good faith, and therefore do not constitute a waiver or limitation of any right Client has under such laws.

## **Item 9 – Disciplinary Information**

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

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

CPS is the owner of a Certified Public Accounting firm actively involved in personal financial counseling and traditional income tax and accounting services. The firm name is CPS Group CPA's, PA.

CPAlliance<sub>tm</sub> Insurance Services, Inc. is an Independent Insurance Agency that sells Life, Health & Disability insurance for a commission. The owners of CPS have a majority ownership (100%) of the company CPAlliance<sub>tm</sub> Insurance Services, Inc.

CPS is the owner of CPS Tax Lien Income Fund I LLC (formally CPAlliance<sub>tm</sub> Financial Services, an inactive business entity).

CPAlliance<sub>tm</sub> Training Seminars: CPS offers a two day training seminar for CPA firms to learn how to add money management to their financial planning services. The cost of the training is \$2,000. This is a deposit which will be returned to the CPA firm upon reaching \$10 million in assets under management.

CPS also offers Continuing Professional Education Seminars for CPAlliance<sub>tm</sub> members. This program qualifies for CPE credit. The cost of each seminar may vary depending on the topic & program outline.

CPS has a minority ownership interest in a savings and loan company, National Advisors Holdings, Inc. ("NAH") that has formed a federally chartered trust company, "National Advisors Trust Company" ("NATC"). NAH and NATC are

regulated by the Office of Thrift Supervision. The trust company intends to provide a low cost alternative to traditional trust service providers, and CPS intends to refer clients to NATC for trust services.

CPS utilizes the services of Fidelity Institutional Wealth Services (FIWS) program sponsored by Fidelity Brokerage Services, LLC (Fidelity). While there is no direct linkage (except in certain circumstances) between the investment advice given to clients and CPS' participation in the FIWS program, economic benefits that are received by CPS would not be received if CPS did not give investment advice to clients. These benefits include: a dedicated trading desk that services FIWS participants exclusively, a dedicated service group and an account services manager dedicated to CPS' accounts, access to a real-time order matching system, electronic download of trades, balances and positions in FIWS's portfolio management software, access, for a fee, to an electronic interface with FIWS's software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), a quarterly newsletter, access to Fidelity mutual funds, access to WealthCentral.com, a Fidelity Brokerage information web site, access to over 6000 mutual funds NOT affiliated with Fidelity, and the ability to have loads waived for CPS' clients who invest in certain Fidelity loaded funds, when certain conditions are met and maintained. FIWS also financially co-sponsors an annual conference for CPS' CPAlliance<sub>tm</sub> program to enhance the education and skills of the CPAlliance<sub>tm</sub> members.

### **Item 11 – Code of Ethics**

CPS has adopted a Code of Ethics expressing the firms' commitment to ethical conduct for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CPS must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CPS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CPS and its clients.

Associated with CPS or its associated persons may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of CPS that no person employed by CPS shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decision of advisory clients. CPS buys and sells securities for its owners, employees, and their immediate families that it also recommends to clients. At times, CPS may buy investments for its proprietary accounts that it does not buy for its clients.

All securities traded in affiliated accounts are subject to a blackout period where a security that has been purchased/sold for a client account may not be purchased/sold for an affiliated account during the 3-day period before and after the client purchase/sale date.

Regarding thinly traded securities and partial fill executions of volume and/or batched trades, CPS will use a random sampling method or the Advent/Moxy software to ensure fair and equitable treatment over time. Allocations for partial fills will be made using a random number sequence or the Advent/Moxy software. This random sampling method may be changed if a different method is more appropriate.

All principal individuals and/or employees of CPS are required to comply with all applicable federal and state securities laws, rules and regulations. Adviser's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. If any person of CPS violates CPS' internal controls and/or the applicable federal or state laws, rules & regulations, then that person will be subject to disciplinary action ranging from verbal reprimand to termination of employment, depending on the nature, seriousness, and repetition of the violation.

CPS clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Peter C. Golotko, Chief Compliance Officer at (863) 688-1725 or [pgolotko@cpalliance.com](mailto:pgolotko@cpalliance.com).

## **Item 12 – Brokerage Practices**

Because CPS does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, clients must direct CPS as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that CPS may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

CPS participates in the Fidelity Institutional Wealth Services (FIWS) which is offered to independent investment advisers by Fidelity Investments, an NASD registered broker-dealer.

Clients in need of brokerage or custodial services will have Fidelity Investments recommended to them. As part of the FIWS program, CPS receives benefits that it would not receive if it did not offer investment advice.

CPS has the policy to make whole all accounts that have trading errors. In the event that the trading error causes the account to increase in value, CPS will not penalize the account for the trading error and will leave all increases in the account.

CPS may, from time to time, aggregate client trades using Block Orders. If this strategy is used, all clients within the aggregate filled trade will receive the same price. Aggregate trades are used to move in and out of a particular investment quickly which could improve the execution of the trade.

**Financial Planning - Consulting:** These clients will be required to select their own broker-dealers and insurance companies for the implementation of financial planning and/or consulting recommendations. CPS may recommend any one of several brokers (including, but not limited to Fidelity Investments). CPS clients must independently evaluate these brokers before opening an account. The factors considered by CPS when making this recommendation are the broker's ability to provide professional services, CPS' experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. CPS' financial planning and/or consulting clients may use any broker-dealer of their choice.

**Seminars:** Due to the nature of this service, CPS does not recommend broker-dealers to these clients.

**Class Action & Legal Proceedings:** Advisor does not accept responsibility for assisting or acting on a client's behalf with filings for class action or other legal proceedings.

## **Item 13 – Review of Accounts**

**Portfolio Management:** Portfolios are reviewed on a continuous and regular basis. Portfolio management accounts are formally reviewed in their entirety initially upon engagement and quarterly, semi-annually, or annually, as contracted for at the inception of the advisory relationship. Periodic reviews of accounts are conducted on a weekly or monthly basis to accommodate additions to cash, unusual price movements, and any investment objective change by the client. These clients will receive monthly and/or quarterly statements from their broker-dealer/custodian. CPS will provide these clients with reports as contracted for at the inception of the advisory relationship.

**Financial Planning - Consulting:** These client accounts are reviewed as contracted for at the inception of the advisory relationship.

**Seminars:** Due to the nature of this service, CPS does not perform reviews of any client accounts.

**Consulting Fees:** Consulting fees will be charged in one of two ways:

1. As a fixed fee, typically ranging from \$500 and up, depending on the nature and complexity of each client's circumstances and upon mutual agreement with the client. 50% of this fee may be due upon the inception of the advisory relationship, with the balance due upon completion of the consulting service; and/or
2. On an hourly basis, ranging from \$200 to \$400 per hour, depending on the nature and complexity of each client's circumstances and upon mutual agreement with the client. An estimate for total hours may be determined at the start of the advisory relationship. 50% of the estimated fee may be due upon the inception of the advisory relationship, with the balance (based on actual hours) due upon completion of the consulting service.

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

CPS is the owner of a Certified Public Accounting firm actively involved in personal financial counseling and traditional income tax and accounting services. The firm name is CPS Group CPA's, PA.

CPAlliance<sub>tm</sub> Insurance Services, Inc. is an Independent Insurance Agency that sells Life, Health & Disability insurance for a commission. The owners of CPS have a majority ownership (100%) of the company CPAlliance<sub>tm</sub> Insurance Services, Inc.

CPS is the owner of CPS Tax Lien Income Fund I LLC (formally CPAlliance<sub>tm</sub> Financial Services, an inactive business entity).

**CPAlliance<sub>tm</sub> Training Seminars:** CPS offers a two day training seminar for members to learn how to add money management to their financial planning services. The cost of the training is \$2,000. This is a deposit which will be returned to the member upon reaching \$10 million in assets under management.

CPS also offers Continuing Professional Education Seminars for CPAlliance<sub>tm</sub> members. This program qualifies for CPE credit. The cost of each seminar may vary depending on the topic & program outline.

#### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CPS urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

CPS usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Any limitations on this discretionary authority shall be included in this written authority statement.

Clients may change/amend these limitations as required. Investment guidelines, restrictions and any amendments shall be submitted in writing.

When selecting securities and determining amounts, CPS observes the investment policies, limitations and restrictions of the clients for which it advises.

#### **Item 17 – Voting *Client* Securities**

Unless the parties otherwise agree in writing, CPS shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held by an Account. The Client expressly retains the authority and responsibility for, and CPS is expressly precluded from rendering any advice or taking any action with respect to, the voting of any such proxies.

If the account is maintained on behalf of a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA") or similar government regulations, Client represents regardless of the plan document, that the Client

expressly retains the authority and responsibility for, and CPS is expressly precluded from rendering any advice or taking any action with respect to, the voting of such proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CPS financial condition. CPS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



CPS Investment Advisors

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March 15, 2012

This Brochure Supplement provides information about **Chas P. Smith, CPA/PFS, James M. Luffman, CPA/PFS and Peter C. Golotko, CPA/PFS, MBA** that supplements the CPS Investment Advisors Brochure. You should have received a copy of that Brochure. Please contact Peter C. Golotko, Chief Compliance Officer, if you did not receive CPS Investment Advisors Brochure or if you have any questions about the contents of this supplement.

Additional information about Chas P. Smith, James M. Luffman and Peter C. Golotko is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Educational Background and Business Experience**

**Chas P. Smith, CPA/PFS**, born August 23, 1948. Chas has been President/Director of Chas P. Smith & Associates, P.A., CPA's since October 1975. He earned his B.S. in Business Administration-Accounting at Florida State University in 1970. He became a Certified Public Accountant (CPA) in 1974, but has had public accounting experience since 1972. Chas received a Certificate of Education Achievement from the AICPA for Financial Planning in 1989 and has been a Personal Financial Specialist (PFS) since 1991. Chas passed the Series 2 in 1992 and Series 65 in 1995.

**James M. Luffman, CPA/PFS**, born August 10, 1955. Jim has been Secretary/Director of Chas P. Smith & Associates, P.A., CPA's since January 1996. He earned his B.S. in Business Administration-Accounting at Florida State University in 1977. He became a Certified Public Accountant (CPA) in 1988, but has had public accounting experience since 1987. Jim received a Certificate of Education Achievement from the AICPA for Financial Planning in 1993 and has been a Personal Financial Specialist (PFS) since 1994. Jim passed the Series 2 in 1994. Jim received his Insurance License from the Florida Department of Financial Services in 2004 for Life, Health and Annuities.

**Peter C. Golotko, CPA/PFS, MBA**, born April 10, 1968. Peter has been Partner/Director of Chas P. Smith & Associates, P.A., CPA's since January 1998. He earned his B.S. in Business Administration-Accounting in 1990 and his Masters in Business Administration (MBA) in 1996, both from Florida Southern College. He became a Certified Public Accountant (CPA) in 1995, but has had public accounting experience since 1990. Peter received a Certificate of Education Achievement from the AICPA for Financial Planning in 1995 and has been a Personal Financial Specialist (PFS) since 1995. Peter passed the Series 65 in 1998.

## **Item 3 – Disciplinary Information**

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

## **Item 4 – Other Business Activities**

Neither Chas P. Smith, James M. Luffman nor Peter C. Golotko is engaged in other investment-related business activities outside of Chas P. Smith & Associates, P.A., CPA's.

## **Item 5 – Additional Compensation**

Neither Chas P. Smith, James M. Luffman nor Peter C. Golotko receives additional compensation for advisory services. The firm also has a strict gift and entertainment policy that is overseen by the Chief Compliance Officer.

## **Item 6 – Supervision**

Peter C. Golotko, Chief Compliance Officer, meets regularly with both Chas P. Smith and James M. Luffman in a supervisory role to monitor the advice provided to clients. Peter can be contacted at (863) 688-1725 or [pgolotko@cpalliance.com](mailto:pgolotko@cpalliance.com).