

## Item 1 – Cover Page

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Date of Brochure: January 3, 2012  
[www.carbahalolsen.com](http://www.carbahalolsen.com)

This Brochure provides information about the qualifications and business practices of Carbahal Olsen Financial Services Group, LLC. If you have any questions about the contents of this Brochure, please contact us at (530) 758-4921. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Carbahal Olsen Financial Services Group, LLC 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 Carbahal Olsen Financial Services Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

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The purpose of this Item is to alert you to any material changes in our disclosure brochure since our last amendment dated June 30, 2011 or its most recent updating on the SEC's public disclosure web site: [www.sec.gov](http://www.sec.gov). This Item discusses specific material changes that are made to the Brochure and provides you with a summary of such changes.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act passed in July 2010, the SEC has adopted rules generally requiring mid-sized investment advisors to switch from federal to state registration. This change reallocates the primary responsibility of regulatory oversight of mid-sized investment advisors to the state securities regulators. A mid-sized investment advisor has between \$25 million and \$100 million of assets under management and must register with the applicable state securities regulator(s) unless the investment advisor is not subject to investment advisor registration and/or examination by its home state.

Carbahal Olsen Financial Services' assets under management fall within the range that requires the firm to switch its registration from the SEC to the state of California. We have submitted the required application to the state of California to begin the transition from SEC to state registration. We will file our annual updating amendment to our Form ADV by no later than March 30, 2012, disclosing our assets under management as of December 31, 2011. Once approved as a state investment adviser by the state of California, we will withdraw our registration with the SEC by no later than June 28, 2012. The language in this brochure has been updated in anticipation of our change in status from an SEC to state-registered adviser.

Our Brochure may be requested by contacting Larry Olsen, Chief Compliance Officer, at (530) 758-4921 or [lolsen@carbahalolsen.com](mailto:lolsen@carbahalolsen.com). Additional information about Carbahal Olsen Financial Services Group, LLC is available via the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Carbahal Olsen Financial Services Group, LLC who are registered, or are required to be registered, as investment adviser representatives ("IARs") of Carbahal Olsen Financial Services Group, LLC.

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Brochure Supplement(s)

## Item 4 – Advisory Business

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Carbahal Olsen Financial Services Group LLC (“COFS”), a limited liability company based in Davis, California, offers advisory services in the form of financial planning and asset management, primarily. We were founded in 1999 and became an independent investment adviser in January of 2010. COFS’ principal owners are Larry G. Olsen, Manuel A. Carbahal, and John M. Carbahal.

We currently provide investment advisory services to clients in seven states. We are not required to register in any state other than California because we do not have a place of business in those states, and we have fewer than five clients in each state (de minimis exemption).

### Types of Advisory Services Offered

#### *Financial Planning and Consultations*

We provide comprehensive financial planning services or limited consulting services to individuals who hire us and sign our Financial Planning Agreement. The same services are provided at no cost to any client who has retained COFS under an Asset Management Agreement.

Financial planning is a complex process which includes scheduled consultations to discuss your financial and estate needs and objectives. We review and analyze the information you provide, summarize your financial situation, and then make specific written recommendations that address your particular concerns and objectives. Our advice is based on the personal financial information we obtain from you, assumptions you select and other planning assumptions determined by us.

Primarily, we develop written, comprehensive and segmented financial plans regarding the following topics:

- **Personal:** family records, budgeting, personal liability, estate information and financial goals,
- **Tax and cash flow:** income tax and spending analysis and planning for past, current and future years,
- **Death and 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 achieve retirement goals, and
- **Investments:** analysis of investment alternatives and their effect on your portfolio.

You may contract with us for limited consulting services on any topic(s) in the Financial Planning Services list. Typically, our consulting services will not result in a comprehensive financial plan such as with our financial planning services. Rather, we may provide you with a verbal or written summary that addresses your topic of interest.

Because the financial plan or summary will be based on the information provided by you, the completeness and accuracy of the information we obtain is essential. We instruct you to provide copies of any financial documents that we may reasonably request as necessary to evaluate your financial circumstances and provide a financial plan. Financial planning may involve consulting with other professionals, including your attorney, accountant and other specialized investment professionals. We will restrict the range of our services to our level of expertise or regulatory limitations.

We request that you notify us if there are any changes in the information you provided to us or if any of your circumstances have changed that may affect the financial plan we develop. It is your sole responsibility for determining whether to implement our recommendations.

If you have provided us with the information and documentation necessary to formulate a plan, you will receive a completed plan from us within 30 days of signing the financial planning agreement. We will prepare recommendations reasonably expected to meet your specific goals, needs and priorities. However, we give no assurance that the recommendations presented will fulfill your goals.

If you are not satisfied with the written financial plan as presented, we will attempt to revise the plan to your satisfaction. The number of times we revise a plan will be at our discretion. If you remain unsatisfied with the written plan as presented, we will not refund the fee charged for the plan, but you will be able to keep the final plan.

All of our financial planning services terminate upon presentation of the plan or completion of the consultation unless you have contracted for retainer services. Retainer clients receive twelve months of financial planning or consulting services. The retainer contract is renewed automatically each year on the anniversary date of the signing of the original agreement, unless terminated sooner by you or us. We require a new agreement if the services or the fees change.

Both parties can terminate the financial planning services by providing written or oral notice to the other and the termination will be effective immediately. If oral notification is given a written confirmation is also required. If services are terminated within five business days of signing the client agreement, the services will be terminated without penalty. After the initial five business days you will be assessed a prorated charge based on the time and effort expended by us prior to receipt of notice of termination. COFS will send a billing statement summarizing the amount due.

### ***Asset Management Services***

COFS provides discretionary asset management services utilizing, primarily, securities such as mutual funds, exchange traded funds, annuity sub-accounts (for our annuity accounts), and individuals stocks and bonds, where appropriate. Before recommending an investment strategy for you, we will gather information about your current investments, financial situation, goals and risk tolerance. We may collect this information through questionnaires, copies of tax returns, insurance policies, wills, trusts and other documents, and/or through one-on-one meetings. We review the information provided and make investment and model allocation recommendations which are designed to meet your specific needs and objectives. You may place reasonable restrictions and investment guidelines on transactions in certain types of securities or industries.

We may, or you may direct us to, deviate from the originally suggested investments and allocation model due to changes in your individual situation, personal investment guidelines, rebalancing concerns, changes in the marketplace and other factors that may arise.

Securities brokerage transactions are processed by Fidelity Investments through Fidelity Institutional Wealth Services ("FIWS") or Fidelity Tax-Exempt Services Company ("Fitsco") for 403(b) and 401(a) accounts. Client funds and securities are custodied and maintained through the same companies. Clearing, custody or other brokerage services may also be provided by National Financial Services LLC or Fidelity Brokerage Services LLC, Fidelity affiliates. Fidelity Investments Life Insurance Company ("FiLi") maintains custody of all funds and securities held in variable annuity accounts.

Item 8 in this Brochure has additional information about our investment strategies and investment risks.

The amount of discretionary assets we had under management as of December 31, 2011 was \$47,527,538.01. We have no assets under management on a non-discretionary basis.

### ***Newsletters***

We may prepare newsletters that are general, educational and informational in nature. These newsletters are offered to current clients with managed accounts and to potential clients. They are also found on our web site. There is no fee for our newsletters.

### ***Seminars***

We may conduct financial planning seminars that are general, educational and informational in nature. These seminars may be offered to current and prospective clients and to the general public. The seminars are provided at no charge.

## **Item 5 – Fees and Compensation**

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### ***Financial Planning and Consultations***

We charge fees for financial planning or consultation services at a rate of \$75 - \$350 per hour or for a fixed fee of \$250 - \$1500 per plan.

Fees are negotiable based on the services you request, the complexity of your situation, the advisor providing the services, and consultations with other professionals that may be needed.

If we are billing on an hourly basis, we will provide you with an estimate of the hours needed to complete the requested plan. If the hours required to complete the plan will exceed our estimate, we will contact you prior to proceeding with any additional work. Both fixed and hourly fees are due upon the presentation of an invoice after the plan or consultation is completed. You have the option to have fees automatically deducted from an existing account, paid by credit card, or paid directly to COFS by check.

### ***Asset Management Services***

The annual management fee charged for this service is as follows:

<b>Account Value</b>	<b>Tiered Fee Range</b>	<b>Maximum Flat Fee Standard Program</b>	<b>Maximum Flat Fee Annuity Program</b>
First \$250,000	1.00 – 1.75%	1.75%	1.00%
\$250,001 - \$499,999	0.85 – 1.60%	1.70%	0.90%
\$500,000 - \$999,999	0.65 – 1.40%	1.60%	0.80%
\$1,000,000 - \$2,499,999	0.40 – 1.15%	1.50%	0.70%
\$2,500,000+	Contact COFS for pricing	1.25%	

Management fees are automatically deducted from the account quarterly in arrears. Fees for an account opened mid-period are prorated from the date the account is opened. We provide you with a quarterly statement detailing the prorated charges. This fee notification statement shows:

- the amount of fees for the prior quarter,
- the value of the assets on which the fees were calculated,
- the manner in which the fees were calculated,
- any adjustment to the fees, and
- explanations of any adjustments.

We urge you to verify the accuracy of the fee that is deducted from your account. The custodian does not determine whether or not the fee is properly calculated.

If you or COFS terminates management services within five business days of signing the advisory services contract, no management fee will be assessed. After the initial five business days, fees are prorated and deducted from your account.

#### Other Fees

Any mutual funds we choose for our portfolios are no-load or load funds purchased at net asset value, which means there is no commission or transaction fee when we trade these funds in your account. However, in addition to the management fees assessed by COFS, your account may incur other fees and expenses such as, but not limited to:

- internal fees and expenses of mutual funds (details are available in each fund prospectus),
- custodial maintenance fees and/or retirement account fees,
- custodial transfer and termination fees,
- brokerage transaction fees for certain stock and mutual fund transactions, and
- short-term redemption fees of up to 2.0% on the principal balance of certain funds if sold within one to six months of original purchase.

All fees and charges are noted on your custodial statements and/or trade confirmations. We may, at our discretion, reimburse you for brokerage transaction fees you may incur. We do not share in any fees charged by mutual funds, account custodians, or broker-dealers.

Item 12 “Brokerage” contains more information about the factors we consider in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

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

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COFS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

#### **Item 7 – Types of Clients**

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COFS provides portfolio management services to individuals, high net worth individuals, small businesses, and pension and profit-sharing plans. The minimum investment to open a new account is \$50,000, although the Chief Investment Officer may waive this requirement at his discretion. You can bundle or batch household accounts together to reach the minimum investment requirement.

We require accounts in our management program to be custodied and maintained by Fidelity Investments through FIWS, Fitsco, or FiLi. See Item 12 for more details about our brokerage practices.

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

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

COFS' Chief Investment Officer uses numerous sources in analyzing which securities to include in our client portfolios. Investment decisions are based on modern portfolio theory and macro economics, and focus is centered on sector performance. The sources used include, but are not limited to, the following internet websites:

- [www.ishares.com](http://www.ishares.com)
- [www.bloomberg.com](http://www.bloomberg.com)
- [www.fidelity.com](http://www.fidelity.com)
- [www.thestreet.com](http://www.thestreet.com)

### ***Investment Strategies***

We use a Core/Satellite structure as the foundation for our investment strategies. The Core is a long-range, globally diversified strategic allocation with a low cost, low turnover portfolio of investments. Those investments consist primarily of Exchange Traded Funds for our traditional accounts. Accounts maintained through Fitsco are invested primarily in Fidelity mutual funds. FiLi accounts are invested in Fidelity annuity sub-accounts. With the Satellite overlay, some tactical asset allocation will be employed to take advantage of investment opportunities present in the marketplace that target specific market sectors. Examples of the market sectors might include precious metals, energy, etc. The objective is to provide a low-expense portfolio designed around your financial goals and risk/return requirements, participating in market upswings but with the potential to conserve capital in market downturns by overweighting cash equivalents.

Some of the asset classes and management styles include, but are not limited to:

- Large Capitalization U.S. Equities (growth/value)
- Small/Mid-Capitalization U.S. Equities (growth/value)
- International Equities (developed/emerging markets)
- U.S. Government Bonds
- International Bonds
- Corporate Bonds (investment grade/high yield)
- Cash Equivalents
- Alternative Investments
- Emerging Market Fixed Income
- Precious Metals/Gold

We will use a custom portfolio strategy in a case where you may have a specific need or request that does not fit within the guidelines of our current investment models. For example, you may want to transfer in and continue to hold an individual security that is not typically included in one of our model portfolios. In another example, we may hold a position that is not in a model portfolio if you would incur onerous tax consequences if the position were to be liquidated. The end goal in using a custom portfolio is to maintain a similar risk/reward profile yet accommodate your individual situation.

### ***Risk of loss***

Investing in securities involves risk of loss you should be prepared to bear. An investment is not a deposit in a bank, and is not insured or guaranteed by the Federal Deposit Insurance Company or any other government agency. While each strategy is similar, each has varying risk factors based upon the percentage of stocks, bonds, and cash in which the portfolio is invested. We have identified the following *Material Risks*:



- Stock Market Volatility. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments.
- Foreign Exposure. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments, and can perform differently than the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties, and can be extremely volatile.
- Issuer-specific changes. The value of an individual security or a particular type of security can be more volatile than, and can perform differently from, the market as a whole.
- Credit risk. The chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.
- Income risk. The chance that income generated by investment in a bond fund will decline because of falling interest rates.
- Manager risk. The chance that poor security selection will cause a fund to underperform relevant benchmarks or other funds with a similar investment objective.
- Nondiversification risk. The chance that a fund's performance may be hurt disproportionately by the poor performance of relatively few securities.
- Interest rate risk. The chance that bond prices overall will decline because of rising interest rates.
- Call risk. The chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. A bond fund would then lose potential price appreciation and be forced to reinvest proceeds at lower interest rates, resulting in a decline in the fund's income.

## **Item 9 – Disciplinary Information**

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

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

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Certain COFS partners are engaged in professions other than giving investment advice. Manuel Carbahal and John Carbahal do not provide advisory services but serve as principals for Carbahal & Company, An Accountancy Corporation, and devote at least 85% of their time in these capacities.

John and Manual Carbahal provide tax and accounting services through their accounting firm. Their services are separate and distinct from COFS' advisory services and are provided for separate and typical compensation. There are no referral fee arrangements between COFS and Carbahal & Company and you are not obligated to use Carbahal & Company for any tax or accounting services. Therefore, the relationship does not create a material conflict between your interests and COFS' interests.

Larry Olsen is separately licensed as an insurance agent in the state of California. In this capacity, he can receive separate, yet customary, commission compensation when he implements insurance product transactions on your behalf. Therefore, a conflict exists between the interests of Mr. Olsen and your interests. You are not under any obligation to engage COFS when considering

implementing our recommendations. The implementation of any or all insurance recommendations is solely at your discretion.

## **Item 11 – Code of Ethics**

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As part of our fiduciary duty as a registered investment adviser, we have adopted a Code of Ethics that represents the expected basis for all our dealings with you, our conduct as a firm, and the conduct of our associated persons. Associated persons of COFS must read and then execute an acknowledgement agreeing that they understand and agree to comply with COFS' Code of Ethics. This section is only intended to provide you with a summary description of COFS' Code of Ethics. We will provide a complete copy of our Code of Ethics to you or a prospective client upon request.

Below are the basic principles of our Code of Ethics:

- COFS has the responsibility to make sure that the interests of clients are placed ahead of it or its IARs' own investment interests,
- all IARs will conduct business in an honest, ethical and fair manner,
- all IARs will comply with all federal and state securities laws at all times,
- full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted,
- no associated person shall prefer his/her own interest to that of the client,
- no person employed by COFS may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account,
- associated persons shall not buy or sell securities for their personal account(s) where their decision is derived by information obtained as a result of his/her employment unless the information is also available to the investing public, and
- all IARs have a responsibility to avoid circumstances that might negatively affect the IARs' duty of complete loyalty to their clients.

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

COFS and its associated persons may buy or sell securities that are also held by you. Any trades undertaken for an associate's own account or for the account of COFS must be done so as not to disadvantage you in any way. This means that all employees and their related persons must generally wait to trade a security until all trading in that security for all client accounts is completed.

### ***Personal Trading***

Employees are required to comply with the provisions of COFS' *Office Compliance Manual* to report any personal trades to the Chief Compliance Officer ("CCO"). He reviews all employee trades each quarter. Another associated person reviews the CCO's trades. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Typically, employee trades are small transactions in mutual fund or widely-held equities that do not affect the securities markets, or individual securities that are not held in client accounts.

Within 10 days of commencement of employment and annually thereafter, each employee is required to submit an initial holdings report to the CCO disclosing the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest".

### ***Material Non-Public Information***

Improper use of material non-public information when conducting any securities transaction is a serious violation of securities laws and is not tolerated by COFS. “Material information” is that which in reasonable and objective consideration might affect the value of a company’s stock or securities, would clearly affect investment judgment or which bears on the intrinsic value of the corporation’s stock. “Non-public information” is information that has not yet been effectively communicated to the general public. Information communicated through any form of publication that could be circulated to the general public would not be considered non-public information.

COFS has set forth in its Code of Ethics policies and procedures designed to prevent and detect violations of the use of this type of information. All employees of COFS and all persons who receive material nonpublic information from employees concerning an issuer of securities are subject to these rules. If a person knows information about an issuer which the person believes would influence an investor in any investment decision concerning that issuer’s securities and which has not been disclosed to the public, the person should not buy or sell that issuer’s securities. Anytime an associated person determines that they have received material non-public information, it must be reported to COFS’ CCO immediately. The CCO documents details of these reports and conducts reviews on a regular basis to monitor for violations of this policy.

### ***Privacy Policy***

The following is the full text of the Privacy Notice we are required by Federal law to provide to clients. Clients receive an updated Privacy Notice from us annually as long as they are clients.

COFS is committed to safeguarding the confidential information of its clients. COFS holds all personal information provided to the firm in the strictest confidence. COFS may have relationships with other nonaffiliated investment advisor firms, insurance companies, trust companies, custodians and other financial institution entities. COFS’ representatives may also be separately licensed as insurance agents or brokers for one or more insurance companies that are not affiliated with the firm. Except as required or permitted by law, COFS does not share confidential information about the client with nonaffiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of the clients’ confidential information, COFS will provide written notice to the client, and the client will be given an opportunity to direct COFS as to whether such disclosure is permissible.

Customer Information COFS Collects. COFS collects and develops personal information about the client, and some of that information is nonpublic personal information (“Customer Information”). The essential purpose for collecting Customer Information is to provide and service the financial products and services the client obtains from COFS. The categories of Customer Information collected by the firm depend upon the scope of the engagement with COFS and are generally described below.

As an investment adviser, COFS collects and develops Customer Information about the client in order to provide investment advisory services. Customer Information COFS collects includes:

- Information COFS receives from the client on financial inventories through consultation with COFS’ representatives. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning the client’s financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.

- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about the client's financial products and services transactions with COFS.

Data Security. COFS restricts access to Customer Information to those representatives and employees who need the information to perform their job responsibilities within the firm. COFS maintains agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about the client.

Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts. To administer, manage and service customer accounts, process transactions and provide related services for the client's accounts, it is necessary for COFS to provide access to Customer Information within the firm and to nonaffiliated companies such as other investment advisers, other broker-dealers, trust companies, custodians and insurance companies. COFS may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

COFS may share customer information we gather with third party administrators and vendors for the purpose of providing current and future information on your account. In addition, COFS may share customer information with Carbahal & Company, An Accountancy Corporation. Carbahal & Company and COFS are unaffiliated entities. The information to be shared may include your address, telephone number, account number and type, transaction history, tax reporting information and other information related to your account. You may prevent such disclosure to Carbahal & Company by instructing COFS not to provide your customer information by calling (530) 758-4921, now or at any later time. You may also call this same number to revoke or withdraw your instruction not to share your customer information.

Former Clients. If the client closes an account with the firm, COFS will continue to operate in accordance with the principles stated in the Notice.

Requirements of Federal law. In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisers, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to nonaffiliated third parties other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that COFS does not disclose Customer Information to nonaffiliated third parties except as permitted or required by law (e. g., disclosures to service the client's account or to respond to subpoenas).

## **Item 12 – Brokerage Practices**

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### ***Directed Brokerage***

You are free to select any broker you want to implement COFS' advice. If you wish to have COFS implement the advice on a discretionary basis, you are required to choose Fidelity. Please refer to the section titled "***Best Execution***" of this Item for information on the factors considered by us when selecting a broker-dealer. Transaction fees charged by Fidelity may be higher or lower than transaction fees we may be able to obtain if we implemented them through another broker-dealer, or if you implemented the transactions independently through another broker-dealer without the services of COFS as your investment manager.

### ***Aggregation of Orders***

COFS may occasionally engage in block trading on clients' accounts to facilitate best execution, to reduce brokerage costs and/or commissions and to provide fair and equitable prices among client accounts whenever possible. Since we have discretionary authority over your account, in general, you will not be consulted prior to these block trades being transacted.

When we perform block trades, all clients will receive equal treatment. In the event a block trade is not filled in its entirety, COFS will allocate the completed portion among the clients on pro-rata basis. Proprietary accounts of COFS or its associates may be included in block trades made on your behalf. Personal accounts of representatives, associated persons and family members will not be treated more favorably than any other client account.

In general, the types and volumes of securities traded for our client accounts do not lend themselves to aggregation or blocking of trades. You should be aware that if an order is not aggregated, you may or may not pay higher brokerage costs.

### ***Best Execution***

We will process brokerage security transactions through Fidelity so long as we determine that executing the transactions through them fulfills our duty of best execution. We consider the following factors when selecting a broker-dealer and determining the reasonableness of commissions:

- a dedicated service team,
- back office services,
- technology that enables the electronic downloads of trades, balances, transactions, and positions,
- electronic download of duplicate statements and confirmations,
- pricing of services, and
- the ability to deduct fees directly from client accounts.

We conduct trade reviews in order to determine that the duty of best execution is being met by Fidelity trade execution and clearing entities.

## **Item 13 – Review of Accounts**

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### ***Financial Planning***

Financial planning services terminate upon the completion of the services unless retainer services are requested. However, we recommend that you have your financial situation reviewed at least annually. If you undertake this review, we require a new planning agreement and additional fees may be charged.

### ***Asset Management Services***

Managed accounts are reviewed at least quarterly by COFS' Chief Investment Officer. Additionally, reviews may be triggered for other reasons such as:

- changes in a client's financial situation,
- changes in market conditions,
- an account(s) is out of balance, or
- at the request of a client.

Absent specific client instructions, we review accounts to monitor:

- that they are still meeting our clients' goals,
- that the holdings remain within our clients' risk tolerance levels,
- if the model portfolios need to be rebalanced, and
- if rebalancing is required to accommodate deposits or withdrawals.

We contract with Orion, a third party vendor for reconciliation, reporting and fee processing services, to provide your quarterly performance reports. These reports contain a summary of investment activity, including trades, withdrawals, deposits, miscellaneous charges, and advisory fee details. You have access to these reports via electronic means or traditional mail services. Fidelity provides you with confirmations and statements on a monthly or quarterly basis via electronic means or traditional mail services. See Item 15 for more information about your statements.

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

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COFS may receive reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

COFS may receive client referrals from current clients, attorneys, accountants, insurance agents, stockbrokers, and other professionals. We do not compensate for any referrals we receive. We also may refer clients to other professionals as the need arises. We do not accept referral fees or any other form of compensation for those referrals.

#### **Item 15 – Custody**

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You will receive at least quarterly statements from Fidelity. We urge you to carefully review your statements and compare such official custodial records to the quarterly performance reports that we make available to you through Orion. Our statements may vary from Fidelity's statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Comparing statements allows you to determine whether account transactions, including deductions for advisory fees, are proper.

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

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We require you to sign a written investment management contract at the outset of the advisory relationship allowing us to manage your assets on a limited discretionary basis. With limited discretion, we have the authority to select the identity and amount of securities to be bought or sold without obtaining your specific consent prior to the transactions. We exercise such discretion in a manner consistent with the investment objectives that you document in writing on your Asset Management Agreement, Financial Profile and/or Investment Policy Statement.

## Item 17 – Voting Client Securities

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COFS does not perform proxy voting services on your behalf. However, we will assist you with questions regarding your proxies. You are solely responsible for implementing final proxy voting decisions.

## Item 18 – Financial Information

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As a registered investment adviser with discretionary authority or custody of your assets (because we are authorized to deduct fees directly from your account), we are required to provide you with certain financial information or disclosures about our financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to you, and we have not been the subject of a bankruptcy proceeding.

## Item 19 Requirements for State-Registered Advisers

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In this Item, we provide information on the backgrounds of the principal executive officers for COFS.

### **Larry G. Olsen, CERTIFIED FINANCIAL PLANNER™**

Year of Birth: 1953

Education and Professional Status:

- Personal Financial Planning Program, University of California, Davis Extension, 2001
- B.A. Geography, California State University, Sacramento, 1978

Larry Olsen holds the following certifications, designations and/or credentials:

CERTIFIED FINANCIAL PLANNER™ since 2002

For the right to use the CFP® or CERTIFIED FINANCIAL PLANNER™ designation one must:

- Have at least a bachelor's degree from an accredited college or university.
- Complete an advanced college-level course of study addressing financial planning subject areas determined necessary by the CFP Board.
- Have at least three years of full-time personal financial planning-related experience.
- Pass the comprehensive CFP® Certification Examination, a 10 hour, 2 day examination.
- Complete 30 hours of CFP Board approved continuing education every two years.
- Agree to be bound by the CFP Board's Standards of Professional Conduct.

Business Background:

Larry is/has been involved in the investment field in the following capacities:

- Carbahal Olsen Financial Services Group LLC, Managing Member, 1999 to present
- Carbahal Olsen Financial Services Group LLC, Investment Advisor Representative, 1/10 to present
- Securities America, Inc., Registered Representative, 1/09 to 6/11
- Securities America Advisors, Inc., Investment Advisor Representative, 1/09 to 6/11
- Brecek and Young Advisors, Inc., Registered Representative, 5/96 to 1/09

In addition to his investment-related activities, Larry has been a Member of Kennedy Place 3 LLC, a real estate rental company, since 2008. Less than 2% of his time is spent on this business activity.



### ***Manuel A. Carbahal, CPA***

Year of Birth: 1958

Education and Professional Status:

- M.S. Taxation, Golden Gate University, 1985
- B.S. Business Administration-Accounting, California State University, Chico, 1980

Manuel Carbahal holds the following certifications, designations and/or credentials:

#### Certified Public Accountant since 1982

To become a CPA one must:

- Have at least a bachelor's degree with a concentration in accounting.
- Pass the Uniform Certified Public Accountant.
- Pass an ethics examination available from the California CPA Education Foundation once the Uniform Certified Public Accountant Examination is passed.
- Complete 80 hours of continuing education to renew the license every 2 years.

#### Mortgage Loan Originator since 2010

To obtain the Mortgage Loan Originator certification one must:

- Complete 20 hours of pre-licensing courses which have been approved by the National Mortgage Licensing System & Registry.
- Obtain a passing score on the national and California components of the Secure and Fair Enforcement (SAFE) Act Mortgage Loan Originator tests.
- Complete 8 hours of continuing education each year for the annual license renewal.

Business Background:

Manuel has worked professionally as a CPA since 1982 and been a principal with Carbahal & Company, An Accountancy Corporation since 1984. At least 85% of his time is spent on activities related to the CPA firm. In addition to his CPA work and serving as a Member of COFS since 1999, Manuel is involved with the following businesses:

- Carbahal & Company, Annual Accumulation Company, Vice President, 1996 to present
- Southside Properties, Inc., President, 2004 to present
- Kennedy Place 2 LLC and Kennedy Place 3 LLC, Member, 2008 to present

### ***John M. Carbahal, CPA***

Year of Birth: 1954

Education and Professional Status:

- M.S. Taxation, Golden Gate University, 1980
- B.S. Business Administration-Accounting, California State University, Chico, 1977

John Carbahal holds the following certifications, designations and/or credentials:

#### Certified Public Accountant since 1980

See the information provided above for Manuel Carbahal for information on what is required to become a CPA.

Business Background:

John has been a CPA since 1980 and a principal with Carbahal & Company, An Accountancy Corporation since 1984. At least 85% of his time is spent on activities related to the CPA firm. In addition to serving as a Member of COFS since 1999, John is involved with the following businesses:



- Carbahal & Company, Annual Accumulation Company, President, 1996 to present
- Southside Properties, Inc., Vice President, 2004 to present
- Kennedy Place 2 LLC and Kennedy Place 3 LLC, Member, 2008 to present
- U.S. Bicycling Hall of Fame, Board of Directors, 2010 to present
- First Northern Bank, Board of Directors, 1996 to present