

Item 1 – Cover Page

Butler Financial Services, Inc.

1113 Spruce St.; Boulder, Colorado 80302

phone: (303) 444-3380

web site: www.butler-financial.org

March 21, 2011

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between you (our Client) and us (Butler Financial Services, Inc.). This Brochure provides information about the qualifications and business practices of Butler Financial Services, Inc..

If you have any questions about the contents of this brochure, please contact Mark Butler (Chief Compliance Officer) at (303) 444-3380 or mark@butler-financial.org. 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.

Additional information on Butler Financial Services, Inc. also is available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

We at Butler Financial Services, Inc. are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue a mutually beneficial relationship.

Item 2 – Material Changes

Initial Filing on March 21, 2011

This is our “initial” filing of what we regard as “The New Part 2” of our Form ADV. As a result, this Document, dated March 21, 2011, is brand new. This document was developed in response to new requirements adopted and imposed by the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (IA Act). As such, this “Disclosure Brochure” is substantially different from previous versions and includes disclosures not specifically required by the Old Part II.

Accordingly, this “Brochure” should be considered “materially new” although you will recognize most of the disclosures as similar or identical to what you have read in the past. New Disclosures in this document include those items previously not requested, including:

- i. New Disclosure in “Items” 6, 9, 11, 14, 15, and 17
- ii. The elimination of Part II, Pages 1-6 (the old check the box pages)

In future filings, this section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov).

We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means or in hard copy format).

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Mark Butler, at (303) 444-3380 or mark@butler-financial.org.

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Item 4 – Advisory Business

Services Offered

Butler Financial Services, Inc. (BFS) provides financial planning and investment management services to individual and institutional investors. Our clients include individuals, families, trusts, corporations, profit-sharing plans, charitable organizations, endowments and foundations. The firm has been in business since 1996.

Investment Management: Approximately 85% of our work is related to investment research and management for our clients. Client investments are typically managed on a discretionary basis.

Financial Planning: We also advise some clients on financial planning issues such as insurance needs, retirement plans, budget and cash flows management, and strategies to reduce income and estate taxes. This takes up approx. 10% of our time.

Wealth Management: We define wealth management as the combination of services of both financial planning and investment management, and usually has an added and ongoing component related to cash flows management and wealth transfer and estate planning. It is also commonly includes establishing and refining an overarching strategy for ALL client assets, including small businesses, real estate, and other non-supervised assets.

Financial Consulting: From time to time we provide consulting services to individuals and families for whom we do not manage investments. All implementation responsibility goes to the consulting client, whether it be regarding investments or any given

The firm is compensated for all services only by the fees charged to the client. The firm receives no commissions of any sort.

The principal owner of the firm is Mark Butler.

As of February 28th, 2011, the firm manages approximately \$72 million in assets for 43 client families.

Item 5 – Fees and Compensation

Investment Management & Financial Planning Services: Fees are typically calculated as an annual percentage of the assets under management. The annual negotiable fee range is: 1.5% up to \$400,000; above that, 1.00% up to \$3 million; and 0.75% above \$3 million in assets. Fees for investment management can also be fixed or “flat”, are negotiable, and range from \$2,000 to \$100,000. In either case, the fee is paid quarterly at the start of each quarter *for the advisory services to be provided in the upcoming quarter.*

Wealth Management Services: The fee is negotiated, with a minimum \$5,000 rate. The fee is paid quarterly, at the start of the quarter *for the advisory services to be provided in the upcoming quarter.*

Financial Consulting Services: The fee is \$300 per hour, with any variance depending on the nuance and complexity of the issues to be addressed.

In all cases, if a client or advisor discontinues the advisory relationship, ANY prepaid fees will be refunded on a pro-rata basis.

Fee Payment Options

As indicated in our advisory services agreement with you, there are two options may select to pay for our services:

- Direct Debiting (preferred): At the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation or the asset on which the fee is based. The custodian will “deduct” the fee from your Account(s) or, if you have more than one account from the account you have designated to pay our advisory fees.
 - Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account, including the advisory fee paid by you to us.

- Pay-by-check: At the inception of the Account and each quarter thereafter, we issue you an invoice for our services and you pay us by check or wire transfer within 15 days of the date of the invoice.

Additional Fees and Expenses

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities in your Account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees charged are by the broker dealer / custodian. We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF); and Exchange Traded Funds (ETFs);
- Advisory fees charged by sub-advisers (if used);
- Custodial fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (on MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions.

In addition, we do not have or employ any “Employee” that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which we provide consulting expertise or services. As such, we are a “fee only” investment adviser. We do not have any potential conflicts of interest present that relate to any additional or undisclosed compensation from your or your assets that we manage.

Item 6 – Performance-Based Fees and Side-by-Side Management

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance fees). Our advisory fee compensation is charged only as disclosed above (Item 3).

Item 7 – Types of Clients

We provide our services to a number of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Not for Profit entities (i.e. educational endowments)
- Profit-Sharing Plans

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

Analysis

We provide guidance on most types of investment securities. This includes all types of stocks, bonds, and mutual funds, and may also include certificates of deposit, real estate, life insurance, annuities, warrants, options, derivatives, hedge funds, and other private equity investments.

To select investments, we use fundamental analysis; this is to say, we focus on the underlying fundamental characteristics of each investment. We also track “market elements” such as institutional and individual asset positions, money flows, as well as monitoring liquidity risk. Some technical analysis is employed to identify longer term trends and shorter term price action. Our sources of information primarily come from paid subscriptions to financial databases and publications. We also review financial newspapers, magazines, company reports, SEC filings, press releases, research materials prepared by other firms, and data available over the internet.

Investment Strategy

At the core of our investment approach is creating an Investment Policy with the client that is in line with the client’s risk profile counter-balanced by the desired return for investments. Asset allocation is central insofar as we believe in the Modern Portfolio thesis that return is predominantly a function of the risk attributable to a given asset class and, by extension, the risk inherent in a given mix of those asset classes in the investment portfolio. As such, there is a strong emphasis in the portfolios toward the use of “passive investment” (a.k.a. the use of “index” tracking funds and Exchange Traded Funds that track market benchmarks). In a complementary role we do invest in individual stocks and bonds, and will invest in actively managed funds where we believe there is value brought to the portfolio.

Our investment approach is intermediate to long term, of course depends on the particular client’s goals and objectives. We essay to keep trading to a minimum as generally we believe in the benefits of “passive investing,” of keeping trading costs to a minimum, and minimizing tax liabilities. That said, in some cases we will execute short-term trading strategies. The use of “stop-sells” under particular positions is the most salient example of this. In rare instances, we may enter into a short sale or an option contract in order to address the specific needs or desires of a

client. Clients may elect to use the margin borrowing features on their account at their discretion, although most do not.

Risk of Loss

All investments in securities include a risk of loss of your principal (invested amount) and of any profits that have not been realized (the securities that have not been sold to “lock in” the profit.) Stock markets and bond markets and other investments (i.e. commodities) fluctuate substantially over time. In addition, as recent global and domestic economic events have shown, performance of any investment is not guaranteed. This is to say, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Item 9 – Disciplinary Information

We do not have any legal, financial or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to commence a Client / Adviser relationship or to continue a Client / Adviser relationship with us.

This statement applies to our Firm and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

N/a.

Item 11 – Code of Ethics

As required by regulation and because it's best business practice, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our Client, which we believe is the cornerstone of our relationship with our clients. Our Code also is established to detect and prevent violations of securities laws.

The firm's Code of Ethics is comprehensive. It is distributed to each employee at the time of hire, and is reviewed at least annually (and if there are updates or changes). We supplement the Code with annual training and/or on-going monitoring of employee activity.

Our Code includes the following:

- Requirements related to the confidentiality of Client information
- Prohibitions on:
 - Insider Trading
 - Rumor circulation
 - The acceptance of excessive gift and entertainment
- Reporting of gifts and business entertainment
- Pre-clearance of employee and firm transactions
- Reporting and reviewing on a quarterly basis the on-going personal securities transactions (a.k.a. the "reportable securities" as mandated by regulations)
- On an annual basis, we require all employees to re-certify to the firm's Code of Ethics, and to disclose all reportable securities owned at that time. They also identify members of their household and any account in which they have a beneficial ownership interest (i.e. they own the account or have authority over the account).

Our Code does not prohibit personal trading by employees or our firm. That being said, as a professional investment adviser we follow the same strategies for ourselves as we recommend for our clients. As a result, we may from time to time purchase or sell securities that we recommend to clients. This is deemed no conflict of interest as the securities are widely held and publicly traded and they are too small (investors/advisers) to affect the market. In implementation we always aim to place the client's interests before our own. In practice, employee or firm trades will

be included in a block or bunched trade with client purchases, or such trades will be executed after client trades have been completed.

You may request a complete copy of the firm's Code of Ethics by contacting Mark Butler (Chief Compliance Officer) at mark@butler-financial.org.

Item 12 - Brokerage Practices

Brokerage Firm Arrangements

Clients wishing to implement the firm's advice are free to select any broker they wish, and are so informed. Those seeking a recommendation from the firm about which broker to use will get a recommendation based on the broker's discounted trade commissions, skills, reputation, dependability, as well as the array of lower cost "institutional-only" mutual fund shares, web access, electronic trading, accurate order execution, convenient office locations, financial strength, substantial insurance, responsive customer service, and familiarity to clients.

Note: Clients may be able to obtain lower commissions and fees from other brokers, and the value of products, research, electronic access, and services provided to the firm is not a factor in determining the recommendation of broker/dealers or the reasonableness of their commissions.

Butler Financial Services, Inc. currently has two institutional relationships with "deep discount" brokers: Charles Schwab, Inc. and TD Ameritrade. Through these broker services, the applicant seeks best execution through the use of bunched trades (a.k.a. block trades).

Discretionary Trading Authority

Butler Financial Services, Inc. manages client accounts on a discretionary basis. This means we typically have the right, without obtaining specific client consent, to determine the securities that are bought or sold in client accounts, and the amounts of those transactions.

However, this discretion is generally limited to general securities, mutual funds, variable annuity options, bonds, certificates of deposit, government securities, and other publicly-traded marketable securities of a similar nature. Our discretion is further limited in that we cannot withdraw funds from client accounts, other than for quarterly management fees.

Item 13 – Review of Accounts

Account Reviews

Client accounts are monitored on an ongoing basis. All are reviewed in a similar manner. Detailed communications on investments are done in person, on the phone, or in writing by Mark Butler, and typically occur once or twice per calendar year. Such communications usually include portfolio detail of holdings, current asset allocation and how that compares to the client's investment policy, and the performance of the portfolio for the given period with reference to the performance of benchmark (market index) data. There are two persons who monitor accounts: president Mark Butler and analyst James Lengyel. All investment decisions are made by Mark Butler. This is done for about 42 client families.

From time to time, the firm will track and/or monitor investment accounts that are under the discretionary management of another investment advisory firm. In such cases the accounts will be reviewed in a timely manner when the information is provided to the firm; most often this is done after receipt of duplicate copies of statements, be they in the form of brokerage accounts or communications from general partners of investments, etc..

As noted earlier, for individuals who receive consulting services from the firm, there is no ongoing supervision of investment accounts; and, responsibility for implementation of any recommendations lies solely with the consulting client and not with the firm.

Item 14 – Client Referrals and Other Compensation

Referrals & Avoiding Potential Conflicts of Interest

The firm does not have any formal or informal referral agreements in place with any entity, individual, or professional (i.e. attorney, accountant). In its role as a fiduciary, the firm has referred clients to other professionals based on what is best for the client, emphasizing the expertise of the professional and the compatibility of the personalities (between client and professional).

From time to time, such professionals have also referred prospective clients to the firm. While, as stated, there is no formal or informal referral agreement in place, it should be stated that inherent in this activity is a potential conflict of interest. As a general “best business” practice, the firm has recommended to the client more than one professional in a given area of expertise; and more often than not, the firm has not, to its knowledge, received economic benefit in the form of receiving referrals back from the professionals to whom it has referred clients.

Independence

BFS, Inc. does not receive any monetary compensation from any source other than the asset based, fixed, and hourly fees paid by clients. BFS, Inc. does not sell any investment products or receive any commission income.

Item 15 – Custody

We do not have custody over client assets.

The custodian (a.k.a. the broker or broker-dealer) sends you statements, typically on a monthly basis. For meetings and reviews we will prepare summary of accounts, and occasionally the values on the custodian's statements may differ slightly to what we have prepared, even though we have used data delivered to us by the brokerage firm. The reason is that if any trade occurs within 3 days of the month's end, the brokerage firm may or may not show that new holding (or sale of existing holding) in the account until it has settled, which could take up to 3 days. Our internal portfolio tracking software, however, does not employ such discretion and reconciles the account showing the effect of the trades as in the account regardless of whether the trades have officially settled.

Direct Debiting is addressed in Item 5. It is noted again here insofar as you the client give the firm permission to directly debit fees from client accounts. This is done on a quarterly basis, and we notify the custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation or the asset on which the fee is based. The custodian will "deduct" the fee from your Account(s) or, if you have more than one account from the account you have designated to pay our advisory fees. Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account, including the advisory fee paid by you to us.

Item 16 – Investment Discretion

Discretionary Trading Authority

Butler Financial Services, Inc. manages client accounts on a discretionary basis. This means we typically have the right, without obtaining specific client consent, to determine the securities that are bought or sold in client accounts, and the amounts of those transactions.

However, this discretion is generally limited to general securities, mutual funds, variable annuity options, bonds, certificates of deposit, government securities, and other publicly-traded marketable securities of a similar nature. Our discretion is further limited in that we cannot withdraw funds from client accounts, other than for quarterly management fees.

Item 17 – Voting Client Securities

We as investment advisers neither vote on proxies nor provide advice on the voting of such proxies.

Item 18 – Financial Information

There are not disclosures required here as the firm does not in its practices exceed the threshold of advanced client payments.

Item 19 – Requirements for State-Registered Advisers

Principal Executive of the Firm

Mark A. Butler is the founder and president of the Butler Financial Services, Inc. (BFS Inc.). He is also the firm's Chief Compliance Officer. Mark has worked in the financial and investment fields since 1994, and has advised an array of clients on matters of investment and financial planning during that time. He is 49 years old and holds a BA in philosophy from the University of Colorado and an MA in psychology from Naropa University. Through Metro State College of Denver, Mark has completed the Personal Financial Planning certificate program.

During the past 15 years (since 1996), Mark has been the owner and operator of Butler Financial Services, Inc.. He has been working as an independent registered investment advisor since 2002. Prior to that time, BFS Inc. provided independent investment advice (advisory rep) and securities (registered rep) and insurance products through independent broker-dealers Multi-Financial Securities Corp (2000-2002), First Financial Planners (1996-2000). Mark also trained and provided financial advisory services through American Express Financial Advisors (1994-1996).

Other Business Activities

Mark Butler engages in no other or "outside" business activities. 100% of his business time per week is spent as an investment adviser for the firm, Butler Financial Services, Inc..

No Performance-Based Fees

Butler Financial Services, Inc. does not receive any performance-based fees.