

Chelsea Advisory Services, Inc.

CRD # 150791

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This Brochure provides information about the qualifications and business practices of Chelsea Advisory Services, Inc. If you have any questions about the contents of this Brochure, please contact John Pisapia at (718) 967-8400 and/or [jpisapia@chfs.com](mailto:jpisapia@chfs.com). 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. Chelsea Advisory Services, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Chelsea Advisory Services, Inc. is also 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 Chelsea Advisory Services, Inc. who are registered or are required to be registered, as investment adviser representatives of Chelsea Advisory Services, Inc.

## **Item 2 – Material Changes**

This item discusses only specific material changes that are made to the Brochure since the Firm's last annual updating amendment.

Since its last annual updating amendment on March 14, 2017, the Firm has made the following material changes to this Brochure:

- The firm transitioned from state registration to registration with the Securities and Exchange Commission (SEC) in January of 2018. As a result, we made a number of changes to this Brochure that do not represent a change in practice but reflect different standards for disclosure among various state jurisdictions and the SEC. We also made changes to align the Brochure content more closely to the document instructions.
- We provide additional detail on Chelsea Advisory Services' use of Chelsea Financial Services (an affiliated broker-dealer) and recommendation of Hilltop Clearing as custodian and executing broker. These relationships create operational efficiency and cost savings for Chelsea Advisory Services, but also create conflicts of interest. See Item 5 and Item 12.
- We previously provided disclosure on the conflicts in using an affiliated broker-dealer and having advisory representative also registered with that broker-dealer. We've made the disclosure more clear, however, by removing some confusing language and identifying that individual representatives do not receive commissions or 12b-1 fees from advisory clients but that the broker-dealer does in some cases. See Item 5 and Item 12.
- We clarified disclosure concerning recommendations of insurance products and receipt of related commissions. See Item 10.
- We provided additional disclosure concerning our discretionary selection of sub-advisors to manage client assets. Because these sub-advisors receive a portion of our advisory fee, rather than charging an additional fee directly to clients, we have an incentive to choose sub-advisors who charge us the lowest fee. See Item 10.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Further, we will 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 John Pisapia at (718) 967-8400 or via email at [jpisapia@chfs.com](mailto:jpisapia@chfs.com).

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#### **Item 4 – Advisory Business**

Chelsea Advisory Services, Inc. (“Chelsea Advisory” “Adviser,” “Firm,” “we,” “our”) was formed in June 2009 and is organized as a corporation pursuant to the laws of the State of New York. Chelsea Advisory is 100% owned by John Pisapia who serves as President and Chief Compliance Officer (“CCO”).

The Firm provides financial planning services, investment advisory and consulting services to individuals, trusts, corporations and other businesses. Investment advice and portfolio management services are provided on a continuing basis which includes the appropriate allocation of managed assets among cash, stocks, mutual funds and bonds tailored to each client’s needs based upon financial and investment objectives. This selection of specific securities is intended to provide proper diversification and help meet the client’s stated investment objectives. The Firm may utilize third party money managers as sub-advisers to manage all or portions of its clients’ accounts.

Clients may impose restrictions on investing in certain types of securities. The Firm reserves the right to refuse to implement restrictions that we consider unduly onerous or that we believe, in our sole judgment, are not in the client’s best interest.

We do not currently participate in any wrap fee programs. We do, however, make use of pricing advantages available to us through our affiliated broker-dealer, Chelsea Financial Services (“Chelsea Financial”) that result in clients not paying ticket charges assessed through Chelsea Financial’s clearing firm. See Item 5 and Item 12 for more information on these arrangements.

As of December 31, 2017, the Firm had discretionary assets under management of approximately \$27,730,198. The Firm has no non-discretionary assets under management.

#### **Item 5 – Fees and Compensation**

##### **Discretionary Account Management**

Chelsea Advisory charges a percentage of assets under management for its services. Such fees are due and payable quarterly, in arrears, and are based upon the market value of the client’s account assets as determined by the custodian as of the close of business. The client pays the Firm for its investment management services based upon the client’s assets under management. The advisory fees payable to Chelsea Advisory are an annual fee of a maximum 2% of assets under management negotiated on a client by client basis. The 2% maximum fee also applies to accounts with 3<sup>rd</sup> party managers and sub-advisers. All advisory fees are negotiable and are subject to change with 30 days written notice.

Notwithstanding the above, certain clients of the Adviser with pre-existing relationships may initially be charged fees that are less than those set out above. With regard to employee-related

accounts and certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

Our advisory agreement provides a limited power of attorney that grants us discretionary authority to trade without obtaining prior client consent; to select, terminate, and re-allocate assets to sub-advisers; and to direct the custodian to deduct advisory fees directly from client accounts. The information in this brochure applies generally to our advisory relationships; the advisory agreement provides important information about the specific relationship, our obligations and authority, and the exact advisory fees charged to any given client.

### **Financial Planning**

Fees for Financial Planning Services will be negotiated with the client on a case by case basis, where customers are not paying a management fee, and documented in writing prior to the services being provided. Fees may range from an agreed upon fixed rate or an hourly charge. The hourly charge will not exceed \$600 per hour. Fees will be invoiced after services are rendered.

### **Use of Affiliated Broker-Dealer**

As described in Item 12, we recommend that advisory clients open brokerage accounts with our affiliate, Chelsea Financial. Chelsea Financial is a registered broker-dealer and maintains a clearing arrangement with Hilltop Securities, Inc., an unaffiliated broker-dealer and member of FINRA and SIPC. Chelsea Financial has negotiated a competitive ticket charge with Hilltop Securities and Chelsea Financial has agreed to absorb the ticket charges that would otherwise be assessed by Hilltop Securities. This arrangement means that clients are not paying separately for advisory services and trade execution. The primary conflict of interest in the arrangement is that Chelsea Financial's costs increase as Chelsea Advisory places more trades for clients. Because the two companies are affiliated, Chelsea Advisory has an incentive to trade less frequently to keep Chelsea Financial's costs low. We recommend the arrangement because we find it to be operationally efficient and cost-effective overall for both Chelsea Advisory and Chelsea Financials, as well as clients. That said, the arrangement may cost clients more or less than purchasing the services separately. Chelsea Advisory has a financial incentive to recommend this arrangement over other cost structures.

In general, if we execute a large number of trades for a client, the arrangement is likely less expensive than separately paying for services. Conversely, if we execute a small number of trades, it may be more expensive for clients to use our affiliated broker-dealer than to seek out an independent custodian and executing broker.

Chelsea Financial does not charge commissions on transactions executed on behalf of Chelsea Advisory clients, but occasionally earns 12b-1 fees on mutual funds that pay them. Similarly, on occasion clients will transfer in variable annuities that pay an ongoing trail. We do not recommend these mutual funds or variable annuities to advisory clients but in some cases continue to hold

them if we believe that is in the best interest of the client. The 12b-1 fees, if any, are retained by Chelsea Financial and are not shared with Chelsea Advisory or with Chelsea Advisory's representatives. Clients are not obligated to retain positions that pay trailing commissions.

Chelsea Financial also shares in a portion of the "postage and handling fee" assessed by Hilltop Securities and charged on all transactions. Chelsea Advisory does not currently use margin with advisory clients but clients should understand that Chelsea Financial receives a portion of the margin interest charged on debit balances maintained with Hilltop Securities. Similarly, the current agreement with Hilltop contemplates paying Chelsea Financial a rebate for client funds invested in a Dreyfus money market fund or in an FDIC bank product. Due to historically low interest rates, the rebate on the money market fund has been set at zero since Chelsea Advisory has been operating, though it may increase as rates rise. The FDIC bank product pays Chelsea Financial 5 basis points on all client balances. These additional fees and rebates would not apply if Chelsea Advisory used an unaffiliated broker-dealer; they create a conflict of interest in Chelsea Advisory recommending its affiliate for brokerage services.

Clients have the option of using brokers other than Chelsea Financial, but in that case Chelsea Advisory will likely not accept the relationship.

### **Fee Payment**

Fees are generally deducted from the client's account(s) quarterly within 15 days following the end of the quarter for which said fees were incurred. Fees are calculated by multiplying the assets under management by the relevant percent and dividing such product by four. Fees for the initial quarter will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the Agreement goes into effect. The custodian for your account will deduct the advisory fees from your account, as authorized in the advisory agreement.

### **Other Fees and Expenses**

To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including 12b-1 fees and expenses (see below concerning the conflicts associated with this). In addition to the annual advisory fee set forth above, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which clients will bear a proportionate share.

Clients will pay all custodian and trading costs except the ticket charges described above. See Item 12 for additional information on brokerage and other transactions costs you will incur.

## **Affiliated Broker-Dealer – IAR Conflicts**

Chelsea Advisory representatives are dually-registered as representatives of Chelsea Financial, a broker-dealer under common ownership with Chelsea Advisory. A conflict of interest exists when IARs in their individual capacities as registered representatives of Chelsea Financial receive compensation for the sale of securities in investment accounts. Accordingly, we do not permit IARs to serve in both capacities with respect to the same client assets. As noted above, in some limited cases, Chelsea Financial may earn 12b-1 fees on assets that transfer to the firm. To the extent our affiliate earns additional revenue from these 12b-1 fees, we have a financial incentive to recommend that clients retain mutual funds (or variable annuities) that pay these fees after transferring to us. In most cases, we do not believe that retention is in the client's interest and recommend liquidation or, where possible, conversion to a different share class that does not pay these fees. Clients are not obligated to purchase or hold any security that pays compensation to our affiliate.

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

Chelsea Advisory does not charge any performance-based fees or fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Clients**

Chelsea Advisory provides investment advisory and consulting services to individuals, high net worth individuals, trusts, and some corporate entities. There are no requirements to open an account. There is no minimum account size requirements for maintaining an account.

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

Chelsea Advisory does not utilize a single methodology in determining investment strategies for its clients. After gathering appropriate suitability and financial information on a client, the Firm will construct a portfolio that is designed to meet the client's needs and objectives. The analysis will be mostly fundamental in nature as Chelsea Advisory takes a long term view and does not anticipate actively trading accounts. A key goal of the Firm is to provide its clients with a well-diversified portfolio that performs well over the long term. The portfolios may consist of equities, fixed income, mutual funds, ETFs and other instruments and may be handled directly by Chelsea Advisory or through one or more third party money managers that the Firm may choose to utilize. Clients should be aware that investing in securities involves risk of loss that they should be prepared to bear.

All investments carry some amount of risk. Chelsea Advisory's investment strategies may be subject to the following principal investment risks:

Credit Risks – The risk that the portfolio could lose money if the issuer or guarantor of a fixed-income security, or the counter-party to a derivative contract, is unable or unwilling to meet its financial obligations.

**Counter-Party Risks** – A portfolio may incur a loss if the other party to an investment contract, such as a derivative, fails to fulfill its contractual obligation.

**Currency Risks** – The risk that foreign currencies will decline in value relative to the US dollar and affect a portfolio's investments in foreign (non-US) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-US) currencies.

**Debt Securities Risks** – The issuer of a debt security may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of debt securities or reduce the portfolio's returns.

**Derivatives Risks** – The use of derivatives such as futures, options and swap agreements can lead to losses, including those magnified by leverage, particularly when derivatives are used to enhance return rather than offset risk.

**Emerging-Markets Risk** – Foreign investment risks are typically greater for securities in emerging markets, which can be more vulnerable to recessions, currency volatility, inflation and market failure.

**Equity Risks** – The risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

**ETF Risks** – A portfolio will be exposed indirectly to all of the risks of securities held by an ETF.

**Foreign Investment Risk** – Foreign investments face the potential of heightened illiquidity, greater price volatility and adverse effects of political, regulatory, tax, currency, economic or other macroeconomic developments.

**High-Yield Securities Risk** – High-yield securities have a much greater risk of default or of not returning principal and tend to be more volatile than higher-rated securities of similar maturity.

**Interest-Rate Risk** – The risk that fixed income securities will decline in value because of an increase in interest rates.

**Issuer Risk** – The value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

**Issuer Non-Diversification Risk** – The risks of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks



associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

**Leverage Risk** – The risk that certain portfolio transactions may give rise to leverage, causing the portfolio to be more volatile than if it had not been leveraged.

**Liquidity Risk** – A security may not be able to be sold at the time desired or without adversely affecting the price.

**Market Risk** – The market price of securities held by a portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries.

**Methods of Analysis Risk**- There are many types of analysis and different types of analysis can expose the customer to risk and lost opportunity

**Mortgage- and Asset-Backed Securities Risk** – These securities may decline in value when defaults on the underlying mortgage or assets occur and may exhibit additional volatility in periods of changing interest rates. When interest rates decline, the prepayment of mortgages or assets underlying such securities may require the reinvestment of money at lower prevailing interest rates, resulting in reduced returns.

**Regulatory Risk** – The risk that changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

**Short Sale Risk** – The risk of entering into short sales includes the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to a portfolio.

**Private Securities Risk** – Private securities contain the risks of their respective public securities, but these risks can be magnified due to their illiquidity and lack of public knowledge on the business. These securities are inherently more risky.

**Real Estate Risk** – The real estate market has experienced some large swings recently. Due to changes in interest rates, the lending market, economic policy, and supply and demand, in addition to illiquidity, real estate investments can carry a great deal of risk.

**Fundamental Analysis Risk** – The market price of securities held by a portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries. There is no guarantee that our fundamental analysis will result in profitable transactions.

**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 Chelsea Advisory or the integrity of Chelsea Advisory's management. Mr. Pisapia entered into an Acceptance, Waiver and Consent in May 2002 for activity that occurred from 1997-1999 while employed with Royal Hutton Securities Corp. Without admitting or denying the allegations, he consented to the entry of findings that he failed to establish, maintain, and enforce adequate written supervisory procedures covering various areas of the Firm. Mr. Pisapia was also fined \$15,000 and suspended from association with any FINRA member in a Principal capacity for 20 business days beginning June 17, 2002 to close of business July 15, 2002. Additional information concerning Mr. Pisapia's background may be obtained from [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

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

John Pisapia, Managing Member of Chelsea Advisory, is also the President of Chelsea Financial Services, Inc. ("Chelsea Financial"), a FINRA registered broker-dealer and insurance agency located in Staten Island, New York. See Item 5 concerning the conflicts of interest inherent in our advisory clients opening accounts with our affiliated broker-dealer. Mr. Pisapia does not personally earn commissions on securities transactions or insurance products sold to or maintained on behalf of advisory clients. Because he is the sole owner of Chelsea Financial, however, he ultimately benefits from that firm's increase in revenue and retention of trail commissions or similar fees. Mr. Pisapia spends approximately 80% of his time supervising the activities conducted through Chelsea Financial. As Chelsea Advisory activities increase, he will consider whether additional time will be allocated to the investment adviser. At present levels, however, the Firm believes it is staffed appropriately.

Chelsea Financial's insurance activities are limited to variable annuities, which are hybrid insurance-securities products. Chelsea Advisory representatives do not recommend purchase of new variable annuities to advisory clients. In some cases, however, clients may transfer management of existing contracts to us. Where a trail commission is paid on these, we will change the dealer of record to Chelsea Financial and that firm will receive and retain the trail commissions. See additional disclosure in Item 5.

All investment advisory representatives of Chelsea Advisory are also registered with Chelsea Financial. Some investment advisory representatives are also licensed as life and health insurance agents. When appropriate, these individuals offer insurance products and services to advisory clients and receive commissions that are in addition to any advisory fees charged by Chelsea Advisory. To the extent our insurance-licensed advisory representatives recommend insurance products, they have a financial incentive to do so because they receive additional compensation when clients purchase insurance through them. This creates a conflict of interest which we mitigate by training our representatives concerning their fiduciary duty to make recommendations solely in the client's best interest. Further, we inform clients of the conflict and notify them that they are

never required to follow our insurance recommendations. They are also free to purchase insurance products through insurance agents unaffiliated with Chelsea Advisory or Chelsea Financial.

We have discretionary authority to select third party advisers, and we negotiate the fees charged by those advisers. We limit the total fee paid by any advisory client to 2% and then pay third-party advisers from that fee. The actual total fee is specified in the individual client advisory agreement. Because our compensation goes up and down depending on how much we pay to third-party advisers, we have an incentive to allocate assets to sub-advisers who charge us the lowest fees. Depending on the circumstances, the client may be better served by a sub-adviser with higher fees. We mitigate the conflict by working with sub-advisers who we believe provide competitive rates. Further, we train our advisory representatives to understand their fiduciary duty and our supervisory oversight includes reviews for appropriate allocation of client assets in light of objectives, risk tolerance, and other client needs.

While Mr. Pisapia and Chelsea Advisory endeavor at all times to put the interest of t clients first as part of Chelsea Advisory's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of Mr. Pisapia when making recommendations or supervising the activities of advisory representatives.

Neither the firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Chelsea Advisory has adopted a Code of Ethics for all Supervised Persons of the Firm describing its high standard of business conduct and its fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on, and the reporting of, gifts and gratuities and personal securities trading procedures, among other things. All Supervised Persons at Chelsea Advisory must sign an acknowledgement, acceptance, and understanding of the terms of the Code of Ethics, annually.

Chelsea Advisory does not own securities products that it also recommends to clients, which may present a potential conflict of interest. All of the principals of Chelsea Advisory will act in accordance will applicable securities laws and conduct their business to ensure overall compliance with Insider Trading Rules and The Securities Fraud Enforcement Act of 1988. Neither the firm nor any related person buys or sells for clients' accounts investments in which the adviser or related

persons has a material financial interest. Any trading by Chelsea Advisory personnel is controlled by Chelsea Advisory's Code of Ethics. A copy of such Code will be available upon request.

## **Item 12 – Brokerage Practices**

### **Recommended Brokers/Custodian; Factors Considered in our Recommendation**

We recommend only one broker: Hilltop Securities Inc. ("Hilltop"), member NYSE, FINRA, SIPC. Hilltop is the clearing firm used by our affiliated broker-dealer, Chelsea Financial. We do not receive traditional soft-dollar benefits from Hilltop, but we do achieve operational efficiencies by using a single platform and a single broker for both our advisory services and the brokerage activities of our affiliate. We have an incentive to recommend Hilltop because of these benefits we receive, rather than based strictly on our clients' interest in receiving most favorable execution.

Chelsea Financial absorbs the ticket charges that our advisory clients would otherwise pay, which reduces execution costs. As described in Item 5, however, the overall cost of our advisory services (both management and execution) may be higher or lower than the costs available if we were to execute trades through other brokers and pass the execution costs along to our advisory clients.

We have evaluated Hilltop's services and determined that the following items are of value to both Chelsea Advisory and our clients when compared to other brokers or custodians:

- Mix of brokerage execution services
- Reasonableness of compensation (low negotiated commissions and other charges)
- Variety of securities that can be purchased or sold (including a large number of mutual funds) on a load waived or no-load basis, with many also on a no-transaction fee basis
- The fact that Hilltop does not charge separately for custodial services

We receive other compliance and operational benefits that tend to benefit Chelsea Advisory, not its clients. These include access to tools and services, as well as internal cost savings, such as:

- Software and other technology that provides access to client account data
- Facilitation of trade execution
- Pricing and other market data
- The payment of advisory fees directly from your account, as authorized in your advisory agreement
- Assistance with back-office functions, recordkeeping and client reporting
- Educational events or occasional business entertainment of our employees
- The ability to leverage existing broker-dealer staff, without having to add personnel to Chelsea Advisory.

### **Third Party Managers**

As described above, in some cases we may select third party sub-advisers to manage all or a portion of your assets. Sub-advisers will typically place all transactions for your account at your broker/custodian, subject to its obligation to you to seek best execution. As custodians typically charge fees for transactions are placed with outside brokers (“trade-away transactions”), sub-advisers will most often select your custodian as the broker who provides the best execution on a specific transaction after weighing possible price improvement versus the trade-away fee. However, sub-advisers may choose to trade away from your custodian when they believe (in their sole determination) that doing so is in your best interest.

### **Bond Transactions**

Chelsea Financial typically executes bond transactions on a riskless principal basis as part of its efforts to achieve best execution for clients. Due to regulations that require pre-transaction disclosure and consent to any principal transaction executed by Chelsea or Chelsea Financial, and the operational difficulty for Chelsea of providing required disclosure and obtaining consent, all transactions will be executed through unaffiliated third parties on an agency basis. Clients should understand that in some cases executing transactions on a principal or riskless principal basis would result in improved execution prices. This is a limitation inherent in Chelsea’s recommending the services of its affiliate.

### **Brokerage for Client Referrals**

We do not consider client referrals we may receive in recommending Hilltop and we have no referral arrangement in place with Hilltop.

### **Directed Brokerage**

Chelsea Financial routes all orders it receives to Hilltop, primarily because this arrangement allows Chelsea Financial to remain exempt from OATS broker-dealer reporting rules. By having clients open accounts with Chelsea Financial and, in turn, with Hilltop, we are effectively requiring that you “direct” your brokerage to Hilltop. Because we are not choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

We do not use, recommend, or direct activity to brokers in exchange for client referrals.

### **Aggregated or Block Transactions**

We typically execute transactions at the client level, rather than aggregating client transactions with those of other client accounts at the same custodian. Aggregating trades results in client trades being executed and billed at the same average price. We retain the right the aggregate or block trades, when we believe doing so will lead to better overall executions.

When we choose to place a block transaction, we issue instructions to purchase a particular number of shares or face amount of a security (usually an exchange traded fund or mutual fund) and all participating clients and their pro-rated shares of the block are known at the time of the transaction. We generally trade in liquid securities and partial allocations are not a concern under normal market conditions. However, should we not receive the full amount of the requested, or if multiple executions are required, the following apply:

- If the full amount we requested is not obtained (and we determine to stop trading), we will pro-rate the purchased shares equally across all participating accounts. However, if employee transactions are included in the block and only a partial fill is completed, employee transactions are excluded (per our Code) until all client trades are completed.
- If multiple fills occur to complete the full block, then all purchases are averaged to price and each participating client receives their full allocation at that average price.

### **Item 13 – Review of Accounts**

All transactions are reviewed daily by a designated Chelsea Financial broker-dealer supervisor. The supervisor will refer potential concerns to the advisory representative assigned to the client account for further review, if needed. Advisory representatives review accounts on an ongoing basis and in response to specific client needs, such as new cash-flow requirements. Advisory representatives also review reports provided by sub-advisers, if applicable.

Chelsea Advisory compliance personnel review accounts on a quarterly basis to ensure portfolios are consistent with client needs and objectives. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances or the market, economic or political environment.

Customers will receive Monthly and Quarterly account statements from the custodian of assets. Chelsea Advisory does not create its own reports.

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

As described in Item 12, above, the Firm receives from its custodian, without cost, software and support which allow the Firm to better monitor and service client accounts. The Firm obtains these benefits due to the relationship with Chelsea Financial and because it uses only Hilltop as custodian.

Chelsea Advisory does not directly or indirectly compensate any person who is not a supervised person for client referrals.

### **Item 15 – Custody**

Chelsea Advisory does not maintain client's funds or securities, and is deemed to have custody solely because it directs the custodian to deduct fees directly from client accounts. Clients should

receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains clients' investment assets (Hilltop). Clients having questions regarding statements should contact Chelsea Advisory or the custodian directly.

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

Chelsea Advisory normally has discretionary authority to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities, for most clients. Such authority is provided in the contract with each client. In many cases, this discretion is subject to mutually agreed upon investment guidelines relative to the client's portfolio. The Firm has model portfolio guidelines available for clients to adopt, in whole or in part, if they do not have their own. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. Within client guidelines and instructions, the Firm's investment manager makes decisions as to the nature and quantity of securities to be bought or sold.

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

It is the general policy of Chelsea Advisory to not take any action or render any advice in reference to the voting of proxies for those securities held in client accounts.

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

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about Chelsea Advisory's financial condition. Chelsea Advisory is well capitalized and has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. The Firm has not been the subject of a bankruptcy proceeding.

Chelsea Advisory does not require the prepayment of fees of more than \$1,200 per client and for six months or more in advance.