



## CFS Investment Advisory Services, LLC

*a Registered Investment Adviser*

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March 10, 2023

This brochure provides information about the qualifications and business practices of CFS Investment Advisory Services, LLC (hereinafter "CFS" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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 about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.



## **Item 2. Material Changes**

In this Item, CFS is required to discuss any material changes that have been made to the brochure since the last amendment dated March 1, 2022. The Firm has no changes to disclose in relation to this Item.



## Item 3. Table of Contents

Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	6
Item 6. Performance-Based Fees and Side-by-Side Management .....	9
Item 7. Types of Clients.....	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9. Disciplinary Information .....	13
Item 10. Other Financial Industry Activities and Affiliations.....	13
Item 11. Code of Ethics .....	13
Item 12. Brokerage Practices .....	14
Item 13. Review of Accounts.....	16
Item 14. Client Referrals and Other Compensation.....	17
Item 15. Custody.....	17
Item 16. Investment Discretion.....	18
Item 17. Voting Client Securities .....	18
Item 18. Financial Information.....	18



## **Item 4. Advisory Business**

CFS Investment Advisory Services, LLC ("CFS" or the "Firm") is a limited liability company formed on January 1, 1998, in the State of New Jersey. CFS is a successor in interest to an entity which became registered as an investment adviser in December 1993. CFS is owned by Gregory M. Makowski and Harris S. Nydick, the Firm's Managing Members.

As of December 31, 2022, CFS had \$1,810,510,554 in assets under management, \$1,089,167,848 of which was managed on a discretionary basis and \$721,342,706 of which was managed on a non-discretionary basis.

CFS offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to CFS rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with CFS setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

While this brochure generally describes the business of CFS, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on CFS's behalf and are subject to the Firm's supervision or control.

### **Financial Planning and Consulting Services**

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To the extent requested by a client, CFS may provide financial planning and/or consulting services (which may include investment and non-investment related matters, including tax planning, estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Prior to engaging CFS to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with CFS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to CFS commencing services. If requested by the client, CFS may recommend the services of other professionals for implementation purposes, including CFS's representatives in their individual capacities as licensed insurance brokers. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CFS. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client's responsibility to promptly notify CFS if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising CFS's previous recommendations and/or services.



## **Investment Management Services**

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CFS manages client investment portfolios on a discretionary or non-discretionary basis. Clients that determine to engage the Firm on a non-discretionary investment advisory basis must be willing to accept that the Firm cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client.

Thus, in the event of a market correction during which the client is unavailable, the Firm will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

CFS primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, however, clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage CFS to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CFS directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

CFS tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. CFS consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify CFS if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if CFS determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Use of Independent Managers**

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As mentioned above, CFS selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. That agreement can be between the Firm and the Independent Manager (often called a subadvisor) or the client and the Independent



Manager (sometimes called a separate account manager). In addition to this brochure, clients will typically also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

CFS evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. CFS also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

CFS continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. CFS seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Retirement Plan Consulting Services**

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CFS also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, CFS shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in the Advisory Agreement between CFS and the plan sponsor.

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by CFS as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of CFS's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

## **Item 5. Fees and Compensation**

CFS offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offer insurance products under a separate commission-based arrangement.



## **Financial Planning and Consulting Fees**

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CFS charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. For fixed-fee arrangements, fees are negotiable, but range from \$500 to \$5,000 on a fixed fee basis, depending upon the scope and complexity of the services as well as the professional(s) rendering the services. For hourly-fee arrangements, the Firm charges \$450 per hour for such services. If the client engages the Firm for additional investment advisory services, CFS may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

## **Investment Management Fees**

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CFS offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between 25 and 125 basis points (0.25% – 1.25%) annually, depending upon the level and scope of the overall investment advisory services to be rendered, which is based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Firm's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by CFS on the last day of the billing period. In calculating the market value of a client's assets, assets allocated to cash or a cash proxy, such as cash being held for dollar cost averaging, will be included in the calculation of assets under management.

For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), CFS may negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage CFS for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

## **Retirement Plan Consulting Fees**

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For its retirement plan consulting services, CFS generally charges either (1) a fixed project-based fee or (2) a fee based on assets under advisement. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary based on the scope of the services to be rendered. On a fixed fee basis, these fees range from \$25,000



up to \$65,000 per annum for highly complex and involved engagements. On an assets under advisement basis, these fees vary between 0.15% and 1.00% per annum.

### **Fee Discretion**

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CFS may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to CFS, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions and other transaction costs, custodial fees, fees charged by the Independent Managers reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide CFS and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to CFS. In certain circumstances, clients may elect for the Firm to invoice them for its services. In the limited event that CFS bills the client directly, payment is due upon receipt of CFS's invoice.

### **Use of Margin**

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CFS may recommend that certain clients utilize margin for borrowing purposes. CFS only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.





## **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to CFS's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to CFS, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CFS may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

CFS does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

CFS offers services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## **Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, CFS imposes a minimum portfolio value of \$500,000. CFS may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). CFS only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. CFS may aggregate the portfolios of family members to meet the minimum portfolio size.

Certain Independent Managers may impose more restrictive account requirements and billing practices from the Firm. In these instances, CFS may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.



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

### Methods of Analysis

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The Firm may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical — (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical — (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Firm may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

### *Investment Strategy Risks*

Every method of analysis has its own inherent risks. To perform an accurate market analysis, the Firm must have access to current/new market information. The Firm has no control over the dissemination rate of market information; therefore, unbeknownst to the Firm, certain analyses may be compiled with outdated market information, severely limiting the value of the Firm's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Firm's primary investment strategies - long term purchases, short term purchases, and trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short



investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer term investment strategy.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly.

The profitability of a significant portion of CFS's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that CFS will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.



## *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV. When selecting mutual funds that have multiple share classes for recommendation to clients, CFS will take into account the internal fees and expenses associated with each share class, as it is our policy to choose the lowest-cost share class available, absent circumstances that dictate otherwise.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## *Structured Notes*

Structured notes have a relative lack of liquidity due to the highly customized nature of the investment and rarely trade after issuance. Moreover, the full extent of returns from the complex performance features is not realized until maturity. Selling before maturity may be at a significant discount. Because of this, structured notes tend to be more of a buy-and-hold investment decision. Counterparty risk is another inherent risk with structured notes. A principal protected note is backed by the firm that issued the note. In the case of a bankruptcy of the issuer, the note holder would be repaid at a rate equivalent to other senior unsecured debt holders of the firm. Principal protected notes are not usually FDIC insured.



## *Use of Independent Managers*

As stated above, CFS selects certain Independent Managers to manage a portion of its clients' assets. In these situations, CFS continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, CFS does not have the ability to supervise the Independent Managers on a day-to-day basis.

## **Item 9. Disciplinary Information**

CFS has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

### **Licensed Insurance Brokers**

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One or more of the Firm's Supervised Persons are licensed insurance brokers and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that CFS recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## **Item 11. Code of Ethics**

CFS has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. CFS's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of CFS's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.



When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact CFS to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

CFS generally recommends the brokerage, clearing, and custodial services of SEI Investments Distribution Co. ("SEI"), TD Ameritrade, Inc. ("TD Ameritrade"), E\*Trade Advisor Services ("E\*Trade"), and Raymond James Financial Services, Inc. ("RJFS") (together, the "Recommended Firms").

Factors that CFS considers in recommending the Recommended Firms (or any other broker-dealer/custodian to clients) include the historical relationship with CFS, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by CFS's clients shall comply with CFS's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where CFS determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and other services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although CFS will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, CFS's investment management fee. CFS's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer, CFS may receive from the Recommended Firms (or another broker-dealer) without cost (and/or at a discount) support services and/or products, certain of which assist CFS to



better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by CFS may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by CFS in furtherance of its investment advisory business operations. Certain of the support services and/or products that may be received may assist CFS in managing and administering client accounts. Others do not directly provide such assistance, but rather assist CFS to manage and further develop its business enterprise. The receipt of investment such products and/or services as well as the allocation of the benefit of such investment research products and/or services among the Firm and its clients poses a conflict of interest because CFS does not have to produce or pay for the products or services which creates an incentive for CFS to recommend the firms providing such benefits.

CFS's clients do not pay more for investment transactions effected and/or assets maintained at the Recommended Firms as a result of this arrangement. There is no corresponding commitment made by CFS to the Recommended Firms or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

CFS participates in TD Ameritrade's institutional customer program. Although CFS receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors, there is no direct link between CFS's participation in the program and the investment advice it gives to its clients. In addition to the benefits indicated above, including investment-related research that CFS receives from TD Ameritrade, the Firm receives the following benefits through from TD Ameritrade's registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Firm also has the ability deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may fund business consulting and professional services received by CFS's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit CFS but not its client. These products or services may assist CFS in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CFS manage and further develop its business enterprise. The benefits received by CFS's participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Additionally, CFS receives the following benefits from E\*Trade: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional





traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

Additionally, CFS receives certain additional support from RJFS. Among other things, CFS receives certain amounts in the form of transition assistance from RJFS if CFS maintains and custodies a specified amount of assets through the RJFS Ambassador Account, where an asset-based fee is charged for custodial and brokerage services. The receipt of such transition assistance creates an Incentive for CFS to recommend the custodial and brokerage services of RJFS to its clients. Additionally, CFS receives additional economic assistance from RJFS in the form of reimbursements for client account transfer fees and payments for airfare and hotel accommodations for attending RJFS conferences. Such economic benefits also create an Incentive for CFS to recommend RJFS services to its clients.

CFS does not receive referrals from broker-dealers.

CFS does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and CFS will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by CFS. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs CFS to effect securities transactions for the client's accounts through a specific broker-dealer, the client acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through CFS.

To the extent that CFS provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless CFS decides to purchase or sell the same securities for several clients at approximately the same time. CFS may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among CFS's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. CFS shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13. Review of Accounts**

### **Account Reviews**

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CFS monitors client portfolios on a continuous and ongoing basis while regular account reviews are





conducted on at least an annual basis. Such reviews are conducted by the Firm's principals and/or investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with CFS and to keep the Firm informed of any changes thereto. CFS may conduct account reviews on an other than annual basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

### **Account Statements and Reports**

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Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. CFS may also provide a written periodic report summarizing account activity and performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from CFS or an outside service provider.

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

### **Client Referrals**

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In the event a client is introduced to CFS by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from CFS's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with CFS's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of CFS is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### **Other Economic Benefits**

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The Firm receives other economic benefits from its custodians and broker-dealers as described in Item 12 above.

## **Item 15. Custody**

CFS is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.



In addition, as discussed in Item 13, CFS will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from CFS.

### **Item 16. Investment Discretion**

In many circumstances, CFS is given the authority to exercise discretion on behalf of clients. CFS is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. CFS is given this authority through a power of attorney included in the agreement between CFS and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). CFS takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

### **Item 17. Voting Client Securities**

CFS does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

### **Item 18. Financial Information**

CFS is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.