

Part 2A of Form ADV: *Firm Brochure*

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FINANCIAL PLANNING & INVESTMENT MANAGEMENT

INDEPENDENT ■ STRATEGIC ■ STRAIGHTFORWARD ■ TRANSPARENT

FINANCIAL PLANNING
FOR THE LIFE YOU WANT
TODAY *and* TOMORROW

This Brochure provides information about the qualifications and business practices of Chaney Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at (626) 768-0080 or donna@chaneyfinancialservicesinc.com. 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.

Chaney Financial Services, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information you may use to determine to hire or retain an Adviser.

Additional information about Chaney Financial Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site using a unique identifying number, known as a CRD number. CFS' CRD number is 145602.

Item 2 - Material Changes

This Brochure, dated March 4, 2017, contains a material change from the last brochure offering dated March 4, 2016.

Annually, Chaney Financial Services, Inc. provides you with our Firm Brochure Form ADV 2A. Our Firm Brochure describes our firm's advisory services, investment processes, fees, affiliations, conflicts and any material changes that occurred during the course of the year.

We wish to inform you Chaney Financial Service, Inc. has established a new custodial relationship with Charles Schwab & Co., Inc. This new relationship will replace our previous custodial relationship with Scottrade, Inc. The relationship became effective January 2017.

Consistent with the Rules, 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. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 – Advisory Business

Chaney Financial Services, Inc. (“CFS”) is a state-registered investment adviser with its principal place of business located in California. CFS began conducting business in 2008 and its founder is Donna Marie Chaney. She is owner as well as President and Chief Compliance Officer of CFS.

Additional information about Chaney Financial Services, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site for more information about CFS by using CFS’ unique, identifying CRD number. CFS’ number is #145602 and Donna Chaney’s is #4769864.

CFS is strictly a fee-only, fiduciary provider of investment advisory, financial planning services and educational services. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships or any other commissioned product. The firm has no financial relationship with any entities that sell financial products or securities. No commissions or finder’s fees, in any form, are accepted. The only compensation received by CFS is from its clients.

Being a fiduciary means CFS provides its services to clients using a standard of care which always places the best interest of the client ahead of its own. This contrasts with the standard of “suitability” that some advisers apply, which means that the advice given has only to be suitable.

Description of Services

CFS offers the following advisory services to its clients:

- Investment supervisory services;
- Investment consulting;
- Financial planning; and
- Seminars and workshops.

These services are provided on a confidential basis, unique to each client as described below. A complimentary, initial consultation is conducted to understand client needs, to tailor services to their needs and to determine if there is a good fit between the client and CFS. If CFS and a potential client should decide to work together, fees are agreed upon and contracts are signed. Work begins when the client provides to CFS the documents agreed upon during the initial consultation.

In performing its services, CFS is not required to verify any information received from the client or from the client’s other professionals. CFS relies on the information provided by clients—CFS’ advice is only as good as the information received. Each client is advised that it remains his/her responsibility to promptly notify CFS when there is any change in his/her financial situation and/or financial objectives for the purpose of reviewing, evaluating or revising previous recommendations and/or services.

Investment supervisory services (ISS). CFS provides continuous advice to a client regarding the investment of his/her funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client’s particular circumstances are

established, CFS develops that client's personal investment policy, and creates and manages a portfolio based on that policy. During CFS' data-gathering process, it determines the client's individual objectives, time horizons, risk tolerance and liquidity needs. As appropriate, CFS also reviews and discusses the client's prior investment history, as well as family composition and background. CFS manages these advisory accounts on a non-discretionary basis, meaning that the adviser makes investment recommendations, but it is the client who makes the final decision as to how to invest his or her money. In contrast, discretionary basis means that investment decisions are made by the adviser. Account supervision is guided by the client's stated objectives (i.e., capital preservation, growth, income, or growth and income), as well as tax considerations.

- CFS does the following for its ISS clients, based on each client's financial plan, if one exists:
- Provides education on investment principles and how they relate to an investment plan and specific financial goals;
- Develops an analysis of current investments, investment strategy and risk tolerance;
- Establishes reasonable, realistic expectations, objectives and guidelines for the investment of portfolio assets;
- Sets forth an investment structure detailing target asset class allocations;
- Develops asset allocation models;
- Recommends specific products;
- Enters trade orders; and
- Provides ongoing monitoring and detailed reporting of investment returns.

Clients may impose reasonable restrictions on investing in certain securities, types of securities or industry sectors.

All analysis, recommendations and decisions are provided in an investment policy statement to ensure effective communication between CFS and its clients.

CFS has entered into an investment adviser services agreement with Scottrade Adviser Services ("Scottrade") in order to serve CFS' ISS clients. Scottrade provides CFS clients with discount securities brokerage and custodial (monthly statements, year-end tax reporting, etc.) services once an account is opened at Scottrade.

CFS investment supervisory services are limited to the specific products offered through Scottrade.

In addition to the Scottrade brokerage account applications, to utilize ISS, CFS clients are required to complete an Investment Adviser Limited Trading Authorization and Advisory Fee Authorization form. Clients then enter into a Non-discretionary Investment Advisory Agreement with CFS. On this basis, CFS is able to provide the following benefits to its ISS clients, on their behalf:

- Enter trade orders;
- Receive daily transaction data from Scottrade for performance measurement and reporting;

- Monitor accounts;
- Facilitate other forms processing (beneficiary change forms, distributions); and
- Deduct CFS fees directly from client accounts.

CFS does not participate in wrap fee programs. A wrap fee program bundles advisory services with broker/dealer and potentially other services. CFS is not a broker/dealer, nor does it have any financial relationships with any broker/dealers.

As of December 31, 2016, CFS was actively managing \$11,717,764 of clients' assets on a non-discretionary basis for ISS services (Regulatory Assets Under Management, "RAUM").

Investment consulting. From time to time, at CFS' discretion, CFS may accept an investment advisory assignment to be performed on other than a continuous basis. CFS services may be engaged on a discrete assignment basis to review investment portfolios and make recommendations thereon as CFS deems advisable. Investment consulting ("IC") clients may make use of any custodian or broker of the client's own arrangement. Investments may also be held in an employer's retirement plan or in a state 529 plan.

CFS takes the same approach with its ISS and IC clients to develop its recommendations. CFS' advice is limited to the specific products or services offered by the broker/dealer, insurance company or employer retirement plan of the client's choosing.

CFS' responsibility ends when the results of the review are presented to the client. Although CFS may support and coordinate action by the client on these recommendations, implementation of the appropriate financial strategies is performed by the client and is entirely at the client's discretion. Any advice provided by CFS on these assets is excluded from the reported RAUM.

Financial planning. CFS prefers to provide an ongoing/annual financial planning service that is a comprehensive evaluation of a client's current financial situation and his/her future goals by using currently known variables to predict future cash flows, asset values and withdrawal plans. Ongoing planning allows clients to respond more easily and quickly as their circumstances, and the economic environment, change.

Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. A client purchasing this service receives a written report which provides him/her with a detailed financial plan designed to assist the client achieve his/her financial goals and objectives.

To prepare and monitor this detailed financial plan, CFS will:

- Collect data via in-depth conversations and document collection;
- Assess current financial situation and strengths;
- Determine personal goals and define financial objectives;
- Analyze and develop personalized recommendations;
- Present the financial plan;
- Support and coordinate implementation; and
- Monitor and adjust plan, as contracted, on an ongoing basis.

In general, the financial plan can address any or all of the following areas:

- *Statement of position:* Goals, net worth, cash flow, budgeting, account simplification;
- *Goals:* Retirement, education, new home, small business start-up;
- *Investments:* Risk of loss assessment, risk tolerance, diversification, income strategies and growth, and evaluation of current investments to accomplish goals;
- *Tax planning:* Average and marginal rates, tax reduction strategies for now and in the future;
- *Protection:* Cash reserve, property and casualty insurance, life and health insurance; and
- *Estate planning:* Estate tax, liquidity needs at death, incapacity, asset coordination.

Should the client choose to implement the recommendations contained in the plan, CFS suggests the client work closely with his/her attorney, accountant, insurance agent and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided. The second half of the planning year consists of supporting and coordinating implementation tasks of CFS and/or the clients, as well as monitoring and making adjustments to the plan as the client's personal circumstances and third-party forecasts of external economic conditions change.

From time to time, at CFS' discretion, CFS may accept a financial planning assignment to be performed on other than a comprehensive and continuous basis. CFS' services may also be engaged on a discrete assignment basis to review abbreviated/specialty areas such as:

- Large purchases, such as a new home;
- Employment opportunities;
- Elder care cash flow needs; and
- Small business planning.

If CFS accepts a discrete financial planning assignment, it most always will require the completion of a current net worth and cash flow statement as part of the abbreviated engagement.

CFS' responsibility ends when the results of the review are presented to the client. Although CFS may support and coordinate action by the client on these recommendations, implementation of the appropriate financial strategies is performed by the client and is entirely at the client's discretion. Financial planning recommendations are personalized to each client and are not limited to any specific product or service offered by a broker/dealer, insurance company or other financial professional.

Financial planning clients of CFS are not required to become ISS or IC clients. However, CFS may require that a client work with CFS to develop a financial plan if CFS provides ISS or IC services to them.

Seminars and workshops. CFS may provide seminars or workshops to clients and prospective clients. Topics include subjects related to financial literacy, entrepreneurship and small business management.

Material Conflicts

CFS has not identified any material conflicts of interest as defined under CCR Section §260.238(k) to be disclosed regarding CFS, its representatives and any employees, which could be reasonably expected.

Item 5 – Fees and Compensation

Investment Supervisory Services

CFS' annual fees for Investment Supervisory Services ("ISS") are based upon a percentage of assets under management and generally total 1.00%. The fee is applied only to invested positions, not uninvested cash balances.

CFS' fees are billed in arrears at the end of each calendar quarter based upon the investment value (market value or fair market value in the absence of market value), of the client's account at the end of the quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement or can be paid by check, at the client's preference.

Investment Consulting

CFS' Investment Consulting ("IC") fees are calculated and charged on an hourly basis at \$200 per hour. Although the length of time it will take to provide an investment recommendation will depend on each client's personal situation, CFS will provide an estimate for the total hours at the start of the advisory relationship.

CFS may request a retainer upon completion of its initial fact-finding session with the client, however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon delivery of the investment recommendation report.

Financial Planning

CFS' financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

CFS prefers to calculate and charge for its financial planning services on a fixed-fee basis, typically between \$1,000 and \$5,000, but never less than \$800, depending on the specific arrangement reached with the client, for comprehensive planning.

CFS' financial planning fees may also be calculated and charged on an hourly basis at \$200 per hour. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, CFS will provide an estimate for the total hours at the start of the advisory relationship.

CFS may request a retainer upon completion of its initial fact-finding session with the client, however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan, typically six months after the start of the planning year.

Seminars and Workshops

CFS' fees for seminars and workshops vary depending on the level and scope of the selected topics.

General Information

Limited negotiability of advisory fees. Although CFS has established a fee schedule, CFS retains the discretion to negotiate alternate fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client's situation, the assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition and reports, among other factors. The specific annual fee schedule is identified in the contract between CFS and each client.

Discounts not generally available to advisory clients may be offered to family members and friends of associated persons of the firm.

Termination of the advisory relationship. The client may terminate this Client Services Agreement ("Agreement") at any time by providing written notice to CFS. If the client terminates the financial planning agreement by written notice within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid.

Thereafter, the agreement may be canceled at any time, by either party, for any reason, upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

Mutual fund fees. All fees paid to CFS for ISS are separate and distinct from the fees and expenses charged by mutual funds and/or exchange traded funds ("ETFs") to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without CFS' services. In that case, the client would not receive the services provided by the firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and CFS' fees to fully understand the total cost in order to evaluate the advisory services being provided.

Additional fees and expenses. In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker/dealers.

Advisory fees in general. Subsection (j) of Rule 260.238, California Code of Regulations requires that all investment advisers disclose to their advisory clients that lower fees for comparable services may be available from other sources.

Limited prepayment of fees. Under no circumstances does CFS require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

Grandfathering of minimum account requirements. Currently CFS does not have minimum account requirements. In the event this changes, pre-existing advisory clients are subject to CFS' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, the firm's minimum account requirements will differ among clients.

Pursuant to CCR Section §260.235.2, if a conflict exists between the interests of the investment adviser or associated persons and the interest of the client, the client is under no obligation to act upon the investment adviser's or associated person's recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser, the associated person when the person is an agent with a licensed broker/dealer or through any associate or affiliate of such person.

Pursuant to CCR Section §260.235.2

- It shall constitute a fraudulent, deceptive, or manipulative act, practice or course of business within the meaning of Section 25235 of the Code for an investment adviser or an associated person of an investment adviser to fail to deliver to a financial planning client a notice in writing containing at least the information found below at the time of entering into a contract for, or otherwise arranging for the provision of, the delivery of a financial plan:
 - Whether the investment adviser, or an affiliate or associated person of the investment adviser, will receive commissions from the sale of insurance or real estate or will receive fees or other compensation from the sale of securities or other products or services recommended in the financial plan or otherwise has a conflict of interest. If so, that a conflict exists between the interests of the investment adviser or associated person and the interests of the client. This requirement does not apply to an investment adviser or an associated person of the investment adviser if the investment adviser, an associated person of the investment adviser, and an affiliate of the investment adviser will not receive fees or other compensation from the sale of securities or other products or services recommended in the financial plan, and if such persons otherwise do not have a conflict of interest.
 - The client is under no obligation to act on the investment adviser's or associated person's recommendation. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser or the associated person when such person is employed as an agent with a licensed broker/dealer or is licensed as a broker/dealer or through any associate or affiliate of such person.

Note that:

- Neither CFS, nor an affiliate or associated person of the investment adviser, will receive commissions from the sale of insurance or

real estate or will receive fees or other compensation from the sale of securities or other products or services recommended in the financial plan or otherwise has a conflict of interest.

- Neither CFS nor any associated person is employed as an agent with a licensed broker/dealer, is licensed as a broker/dealer or is an associate or affiliate of such person.

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

CFS does not accept performance-based fee accounts (basing a fee on a share of capital gains or capital appreciation of the assets) due to the potential conflict of interest they create because it may incentivize an adviser to favor these accounts over others or recommend an investment that may carry a higher degree of risk to the client.

Because CFS does not accept performance-based fee accounts, it does not engage in side-by-side management (charging a performance-based fee as well as another type of fee at the same time).

Item 7 – Types of Clients

CFS provides services to individuals, high net worth individuals, trusts, families, closely held business entities and others that need ongoing investment and financial planning advice.

CFS does not have a minimum requirement for assets under management.

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

CFS structures each client's portfolio based upon the unique objectives and circumstances of the client. While a client may have an all-equity portfolio or a fixed-income-only portfolio, most of CFS' clients have balanced portfolios, invested in equities and fixed-income securities.

Methods of Analysis

Security analysis methods at CFS include fundamental analysis. The main sources of information include Morningstar reports, fund prospectuses, financial newspapers and magazines, research materials provided by others, filings with the Securities and Exchange Commissions, and annual reports.

CFS uses primarily open-ended mutual funds (both active and passive) and index-tracking ETFs. CFS utilizes annual reports, prospectuses and filings with the Securities and Exchange Commission, as well as third-party research tools to analyze these investments. While not exhaustive, some of the considerations CFS uses to evaluate mutual funds and ETFs are:

- Low total expenses;
- Fund inception date at least 5 years in the past;

- Performance rank relative to other similar investments;
- Tracking error (for index-tracking exchange traded funds);
- No upfront placement, deferred sales charges or other sales fees and traditional commissions (for mutual funds); and
- Little or no 12b-1 fees (for mutual funds).

Investment returns are uncertain, and uncertainty implies a risk of loss, which must be borne by the investor.

Investment Strategies

CFS uses investment strategies that produce portfolios appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations.

The investment allocation among asset classes will be developed based on modern portfolio theory concepts. This means that portfolio investments are diversified in such a way as to blend the market risks of various asset classes and sub-asset classes to provide "optimal" (or essentially optimal) balance between risk (market volatility) and expected returns.

In most cases, CFS will use its professional judgment to modify "optimized" portfolios in a manner CFS believes to best represent the needs of each client. Such modifications are recommended by CFS after considering the client's risk tolerance and asset class preferences, as well as any other factors that take into account the client's relevant specific circumstances and requirements.

Risk of Loss

Modern portfolio theory depends on the availability of investments with uncorrelated performance to control risk. In times of market stress, the performance of different classes of investments can become much more highly correlated, increasing the risk of loss to the investor.

Because portfolios must be implemented with available securities, there may be a mismatch between the target asset class allocations, and what is actually held in the portfolio.

Buy or sell orders for mutual funds must be entered during the market day, but are not priced until a new net asset value ("NAV") is published at the end of the day. This leads to increased risk during times of large price changes of the assets held by the mutual fund.

Index-tracking ETFs rely on arbitrage between the ETF shares and the underlying securities. To the extent that participation in such arbitrage activity may be limited, there is an increased risk that the ETF will have a significant performance deviation from the underlying index.

Item 9 – Disciplinary Information

There are no legal or disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

The only business of CFS is that of investment adviser. The firm does not participate in any other industry business activities and does not have any arrangements that are material to its advisory business or its clients.

CFS is not registered as a broker/dealer or registered representative. CFS is not registered as a futures commission merchant, commodity pool operator, a commodity trading adviser, or as an associated person of these entities. CFS does not have a material relationship or arrangement with any of the following:

- Broker/dealer, municipal securities dealer, or government securities dealer or broker;
- Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund) other investment adviser or financial planner;
- Banking or thrift institution;
- Accountant or accounting firm;
- Lawyer or law firm;
- Insurance company or agency;
- Pension consultant;
- Real estate broker or dealer; or
- Sponsor or syndicator of limited partnerships.

While CFS may recommend or select other investment advisers (money managers), CFS does not receive any compensation for making these recommendations, thus eliminating any potential conflict of interest. CFS does not have any business relationships with advisers that would create a potential conflict of interest.

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

Code of Ethics

CFS’ code of ethics is designed to address and avoid undisclosed conflicts of interest relating to personal trading and related activities, and is based on three underlying principles:

- CFS will at all times place the interests of its advisory clients first. As a fiduciary, CFS will scrupulously avoid serving its own interests ahead of the interests of its clients.
- CFS will make sure that all personal securities transactions are conducted in a manner consistent with the code of ethics and in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility.
- Investment advisory personnel will not take inappropriate advantage of their positions.

CFS' code contains a number of requirements and procedures relating to personal trading by CFS' access persons and their families. The code specifically prohibits them from engaging in the following activities:

- Guarantees against loss: No guarantee against losses with respect to any securities transactions or investment strategies may be made.
- Guarantees or representations as to performance: No guarantee may be made that a specific level of performance will be achieved or exceeded on or by a future date. Any mention of an investment's past performance or value must include a statement that it does not necessarily indicate or imply a guarantee of future performance or value.
- Sharing in profits or losses: Sharing in the profits or losses of a client's account is not allowed.
- Borrowing from or lending to a client: No adviser may borrow funds or securities from, or lend funds or securities to, a client.
- Acting as custodian or trustee for client: No adviser may act as custodian of securities, money or other funds, or property of a client. No supervised person may act or serve as a trustee of any client.

Whether or not a specific provision of the CFS code addresses a particular situation, CFS employees must always conduct their personal trading activities in accordance with the general principles contained in the code and in a manner that is designed to avoid any actual or potential conflicts of interest.

Participation or Interest in Client Transactions

CFS employees may buy or sell securities that are also held by clients, although they may not trade their own securities ahead of client trades. Principal transactions, defined as transactions where an adviser acting as a principal for its own account buys or sells any security to any advisory client, are prohibited. Agency cross transactions, defined as a transaction where the adviser acts as the broker for both sides of a transaction, do not arise as CFS is not dually registered as a broker/dealer nor does it have an affiliated broker/dealer.

Personal Trading

CFS employees may, and many times do, invest in the same securities that are recommended to clients, and may do so at or about the same time as CFS employees buy and sell securities for clients. Potential conflicts of interest are minimized since the securities CFS recommends are mainly open-end mutual funds.

CFS clients and prospective clients may obtain a copy of CFS' code of ethics at any time, by contacting Donna Chaney, Chief Compliance Officer, by phone at (626) 768-0080 or by email at donna@chaneyfinancialservicesinc.com.

Item 12 – Brokerage Practices

CFS does not maintain custody on which we provide ISS services (although we may be deemed to have constructive, not actual, custody of your assets if you give us authority to withdraw assets from your account. See Item 15 – Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. CFS requires that our ISS clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. CFS is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when you instruct CFS to do so. While CFS requires that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, then CFS cannot manage your account.

Custodian/broker Selection. CFS seeks to use a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Financial strength, stability and reputation
- The quality of transaction execution and asset custody services
- The capability to execute, clear and settle trades
- Capabilities to facilitate transfers and payments to and from accounts
- Breadth of investment products made available
- Competitiveness of the price of their services

Although transaction fees paid by CFS' clients shall comply with CFS' duty to obtain best execution, a client may pay a fee that is higher than another qualified broker/dealer might charge to effect the same transaction where CFS determines, in good faith, that the transaction fee is reasonable in relation to the value of the services received by CFS clients.

The brokerage commissions or transaction fees charged by the designated broker/dealer-custodian are exclusive of, and in addition to, CFS' investment management fee.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like CFS. They provide CFS and CFS clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. By holding assets at Schwab, CFS is able to provide the following benefits to its ISS clients, on their behalf:

- Enter trade orders;
- Receive daily transaction files from Scottrade for performance measurement and reporting;
- Monitor accounts;
- Facilitate other forms processing (beneficiary change forms, distributions); and
- Deduct CFS fees directly from client accounts.

Best Execution. Although the transaction costs paid by CFS' clients shall comply with CFS' duty to obtain best execution, a client may pay a transaction fee that is higher than another custodian might charge to effect the same transaction. 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 custodian's services, including the value of research provided, execution capability, transaction rates and responsiveness. There is no corresponding commitment made by CFS to invest in any specific investment products as a result of the above arrangement. The transaction fees charged by the designated custodian are exclusive of, and in addition to, CFS' ISS fee.

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.

CFS' 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.

Soft-dollar. CFS does not have any soft-dollar arrangements with any broker/dealer and does not receive any soft-dollar benefits. ISS clients are however required to establish brokerage accounts with Scottrade to custody assets and effect trades for their accounts. Scottrade may provide us with access to trading and operations services, which may not typically be available to retail investors, but the provision of these services to CFS does not increase the fees clients pay for Scottrade services beyond its normal retail rates.

Brokerage for Client Referrals. CFS does not receive client referrals from any broker-dealer or any third party.

Directed Brokerage. ISS clients do not have the ability to direct CFS to use a particular broker/dealer to enter trade orders for their accounts. ISS clients may use any broker/dealer, but CFS will not enter trade orders.

Trade Aggregation. Given the nature of the securities CFS uses for clients' accounts, CFS does not aggregate the purchase or sale of securities.

Item 13 – Review of Accounts

Investment Supervisory Services

Reviews. While accounts within ISS services accounts are continually monitored, these accounts are reviewed at least quarterly within the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Donna Chaney.

Reports. In addition to the monthly statements and confirmations of transactions that clients receive from their broker/dealer, CFS provides quarterly reports summarizing account

performance, balances and holdings. Due primarily to rounding errors, there may be small discrepancies between balances in broker/dealer statements and in CFS statements. Broker/dealer balances are the actual balances.

Investment Consulting

Reviews. None beyond initial consultation.

Reports. None beyond initial report.

Financial Planning

Reviews. Reviews may occur monthly, bimonthly, quarterly or semi-annually, depending on the nature and terms of the specific engagement. CFS recommends clients engage the firm on an annual basis to update the financial plan.

Reports. In addition to the materials developed for practically all financial planning meetings (“meeting notes” that typically include agendas, analysis, to do’s for either client or adviser), financial planning clients will receive a completed financial plan.

Item 14 – Client Referrals and Other Compensation

CFS does not engage solicitors or pay related or non-related persons for referring potential clients to the firm.

CFS does not accept or allow any related persons to accept any form of compensation, including cash, gifts, sales awards or other prizes from a non-client in conjunction with the advisory services CFS provides to its clients.

Item 15 – Custody

CFS does not have actual or constructive custody of client accounts unless the client has authorized CFS to instruct Schwab to deduct advisory fees directly from client accounts. If a client does authorize such deductions, then CFS is deemed to have constructive, not actual, custody. Schwab maintains actual custody of your assets in either case.

CFS previously disclosed in the “Fees and Compensation” section (Item 5) of this Brochure that the firm may directly debit advisory fees from client accounts.

As part of this billing process, the client’s custodian is advised of the amount of the fee to be deducted from that client’s account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact CFS directly if they believe that there may be an error in the fee deduction on their statement.

Item 16 – Investment Discretion

As disclosed in Item 4 of this Brochure, CFS does not provide discretionary asset management services.

Item 17 – Voting Client Securities

As a matter of firm policy, CFS does not vote proxies on behalf of clients. Therefore, although the firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Item 18 – Financial Information

Under no circumstances does CFS require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, CFS is not required to include a financial statement.

CFS is required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. CFS has no such financial condition.

CFS has not been the subject of a bankruptcy petition at any time during the past ten years, or ever.

Item 19 – Requirements for State-Registered Advisers

Donna Marie Chaney, President and Chief Compliance Officer, is the principal executive officer and management person of CFS. Information regarding her formal education and business background is provided in the Brochure Supplement.

Disciplinary Events

CFS is required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which the firm or management personnel were found liable or against whom an award was granted.

CFS and its management personnel have no reportable disciplinary events to disclose.

Material Conflicts

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither CFS, nor its management personnel, have a relationship or arrangement with any issuer of securities, or any other entity, that could be reasonably expected to impair the rendering of unbiased and objective advice.

This disclosure is made in the “Advisory Business” section (Item 4) of this document for all services offered by CFS. Clients are never under an obligation to act upon a recommendation, whether a conflict of interest under this code section exists or not.