Chelsea Advisory Services, Inc.

CRD # 150791

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February 17, 2026

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 Stephen Sebold, CCO, at (718) 967-8400 and/or ssebold@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. 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.

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.

Since our annual updating amendment in February 2025, we have made the following material interim changes. These will be incorporated into our next annual updating amendment:

- We have provided additional information about our standalone financial planning services. See Item 4 and Item 5 for more information.
- We have included information about a new broker-dealer affiliate in Item 10.

Currently, our Brochure may be requested by contacting Stephen Sebold at (718) 967-8400 or via email at SSebold@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.

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, ETFs, mutual funds, bonds, and other investments 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 or co-managers 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 for brokerage or custody charges assessed through Chelsea Financial's clearing firm. See Item 5 and Item 12 for more information on these arrangements.

As of December 31, 2025, the Firm had discretionary assets under management of approximately $146.9 million and non-discretionary assets under management of $359,755.

Item 5 – Fees and Compensation

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 3rd 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 specific advisory fees charged to any given client. We will occasionally manage assets on a non-discretionary basis, in which we must obtain client consent prior to executing any transactions. The advisory agreement specifies the scope of our authority.

To the extent we use third-party investment advisers to manage all or a portion or client assets, clients will receive disclosures related to those advisers' services and will also enter into a separate agreement governing that relationship and describing the allocation of responsibility between Chelsea Advisory and the third-party adviser.

Financial Planning and Consulting

Some level of financial planning is included without extra charge as part of our Account Management services. For clients who have not engaged us for Account Management, or who need more complex assistance, we may agree to a standalone Financial Planning and Consulting Services Agreement ("Financial Planning Agreement"). In this case, fees for services will be negotiated with the client on a case-by-case basis and described in the Financial Planning Agreement. Fees are in the form of either an agreed upon fixed rate or an hourly charge. The hourly charge will not exceed $600 per hour. Fees will generally be invoiced after services are rendered. For fixed fees, we usually bill after all agreed services are completed. In the case of hourly agreements, we will typically provide monthly progress billing based on hours worked under the financial planning agreement. Specific terms and conditions are described in the individual client's Financial Planning & Consulting Services Agreement.

Clients who engage us for Financial Planning and Consulting are free to accept or reject our advice, and for any advice or recommendations they choose to accept, clients must implement that advice on their own. Clients who would like our assistance with implementing any recommendations must enter into a separate Account Management Agreement, which will provide for separate and additional fees to Chelsea. We have a conflict of interest in recommending that clients both pay us a fee for financial planning and engage us to implement that advice through an asset-based Account Management Agreement. Clients are free to implement our financial planning and consulting recommendations with advisors or other professionals who are not affiliated with us.

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. ("Hilltop"), an unaffiliated broker-dealer/custodian and member of FINRA and SIPC. Chelsea Financial has negotiated asset-based custody and execution rates with Hilltop for Chelsea Advisory's clients. Hilltop makes available trading and reporting platforms and charges an asset-based fee and per-account minimum based on the amount of assets and number of clients Chelsea has on the platforms. Hilltop, or another provider made available through Hilltop, such as Envestnet, administers the platform and assesses Chelsea Advisory's fees as part of its platform administration. The platform provider deducts its own platform fees before forwarding fees to Chelsea Advisory. This arrangement means that clients are not paying separately for advisory services and trade execution or custody. We recommend the arrangement because we find it to be operationally efficient and cost-effective overall for both Chelsea Advisory and Chelsea Financial, 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, since it would likely be more expensive and more operationally onerous to negotiate an independent custody arrangement.

Chelsea's advisory fees are negotiable, though the fees paid to Hilltop or other platform providers made available through Hilltop are not.

Chelsea Financial does not charge commissions on transactions executed on behalf of Chelsea Advisory clients. Occasionally, clients transfer in or hold mutual funds that pay 12b-1 fees ("trail commissions" or "trails") to the broker of record. We do not recommend these mutual funds to advisory clients but in some cases continue to hold them if we believe that is in the best interest of the client. Any trails paid by the mutual fund company are not retained by Chelsea Financial, or shared with Chelsea Advisory or with Chelsea Advisory's representatives; instead, they are credited to the client account by our clearing firm. Although clients receive the credit, the mutual fund's payment of trails increases the internal expenses of the fund and causes a reduction in performance over time that could be greater than the cumulative credits, due to the impact of compounding. A fund share class that does not pay trails would have lower internal expenses and, all other things being equal, better performance over time. Clients are not obligated to retain positions that pay trailing commissions, but there may be costs incurred in liquidating or exchanging the positions that would outweigh the impact of the trails on performance.

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. Similarly, the current agreement with Hilltop contemplates paying Chelsea Financial a rebate for client funds invested in money market funds as well as on all client balances in the FDIC bank product. Chelsea Financial also shares in the account

maintenance fees Hilltop charges. 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's 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 for Account Management 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 based on the actual number days in the quarter. 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. Fees for Financial Planning & Consulting are generally paid by check and as described in the applicable Financial Planning 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 costs for services other than execution (see information above about the single fee charged by Chelsea Advisory), such as wire fees, retirement account maintenance fees, etc. See Item 12 for additional information on brokerage and other transactions costs you will incur.

Affiliated Broker-Dealer – IAR Conflicts

Almost all Chelsea Advisory representatives are dually registered as representatives of Chelsea Financial, a broker-dealer under common ownership with Chelsea Advisory (see the advisory representative's ADV 2B for additional information). 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, if Chelsea Financial earns 12b-1 fees on advisory assets that transfer to the firm, we credit those fees back to the customer. Clients are not obligated to purchase or hold any security that pays compensation to our affiliate.

Important Information for Retirement Investors

When we recommend that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a "fiduciary," as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

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. We have a minimum account size of $25,000, though this may be waived in some cases. There is usually a minimum custodian charge for accounts holding less than $25,000.

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 of guarantor of a fixed-income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

Counterparty 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 of 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. Neither the firm nor its management personnel has any legal or disciplinary event that must be disclosed under this item. Additional information concerning the background of the firm's management persons may be obtained from 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, postage and handling fees, or similar revenues. 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. While Mr. Pisapia and Chelsea Advisory endeavor at all times to put the interest of their 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 business decisions or supervising the activities of advisory representatives.

John Pisapia became the sole owner and President and CCO of U.S. Securities Intl Corp, member FINRA, in October 2025. U.S. Securities Intl will continue to operate as an independent broker-dealer, and has entered into a "piggy-back" clearing arrangement with Chelsea Financial, in which U.S. Securities Intl will obtain access to Hilltop Securities' clearing services through Chelsea Financial's existing clearing agreement. U.S. Securities Intl performs no services, including trade execution, for clients of Chelsea Advisory and the common ownership does not pose a conflict of interest for clients of Chelsea Advisory.

Chelsea Financial's insurance activities are limited to variable annuities, which are hybrid insurance-securities products. Recommendations of a new variable annuity to advisory clients will always be done through Chelsea Financial (not Chelsea Advisory) where a commission will be paid to the registered representative, but no advisory fees will be charged on that asset. Where a trail commission is paid on these, those will always be paid to Chelsea Financial. If the assets are managed by our firm, we will credit the fees back to the customer. See additional disclosure in Item 5.

Most 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.

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 custodian: 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 soft-dollar benefits from Hilltop, but we do achieve operational efficiencies by using a single custodian and that custodian's platforms 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.

At noted in Item 5, Chelsea Financial has negotiated a clearing agreement with Hilltop that permits Chelsea Advisory to custody its managed accounts at Hilltop and to pay an asset-based fee rather than having advisory clients pay transaction-based fees. Hilltop (or another platform provider made available through Hilltop) calculates Chelsea Advisory's fees and then deducts the applicable platform fee before forwarding Chelsea's own fees. The fee specified in the Chelsea Advisory agreement covers both investment advice and trading costs. This arrangement means that clients are not paying separately for advisory services and trade execution or custody. As described it 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, or execute trades through Hilltop and have Hilltop assess an additional transaction charge.

Hilltop charges clients other fees, such as annual account maintenance fees and wire fees, that are described by Hilltop at account opening and annually thereafter.

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

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 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. These are trades where the buy and sell take place contemporaneously and at the same price, but the broker-dealer is technically acting as "principal" – e.g., buyer to the bond seller and seller to the bond buyer. Riskless principal transactions executed by Chelsea Financial on behalf of Chelsea Advisory clients do not result in any additional compensation to Chelsea Financial. Because they are "principal" transactions, however, we must obtain client consent before the settlement date of the trade. We will provide clients with the executed trade details and request approval to proceed with the riskless principal transaction. If the client does not provide consent, we will cancel the transaction at no cost to the client.

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 certain onerous broker-dealer trade 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.

Chelsea Advisory occasionally refers clients to other advisers. When we refer investors to these other investment advisers, we receive a portion of the other adviser's fees as compensation for the referral. Clients will enter into a separate advisory agreement with the third party. Depending on the nature of the agreement, Chelsea Advisory may have no ongoing responsibilities to the client and there may be no advisory agreement between Chelsea Advisory and the client, though we will continue to receive a portion of the third-party adviser's fees for the referral. In other cases, we do have an ongoing relationship, though our responsibilities are limited (as described in the third-party's agreement) and we generally do not have any authority over investment decisions made by the third-party. We have a conflict of interest in referring to these third parties because we receive compensation for the referral. We mitigate the conflict by disclosing it and by reminding prospective clients of these third-party advisers that they are not required to accept the referral.

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. If we enter into a non-discretionary agreement with a client, we will not be able to execute transactions without obtaining prior consent. This can lead to delays in execution when compared to the accounts of clients for whom we are able to trade without obtaining prior consent.

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 prepayment of fees of more than $1,200 per client and for six months or more in advance.