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FAMILY FIDUCIARY SERVICES, INC.

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DAVID L. GREY, PRESIDENT

Form ADV Part 2A – Brochure
March 29, 2023

Form ADV Part 2A (the "Brochure") provides information about the qualifications and business practices of Family Fiduciary Services, Inc. ("FFSI" or the "Firm"). If you have any questions about the content of this Brochure, please contact the Firm's President and Chief Compliance Officer, Mr. David L. Grey at (978)-922-0050 or at davidgrey@familyfiduciary.net. The information in this Brochure has not been approved or verified by the Securities and Exchange Commission (the "SEC") or any state regulatory authority.

FFSI is an investment adviser registered with the SEC. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser are designed to provide you with information to assist you in deciding whether or not you would like to hire or retain an investment adviser.

Additional information about the Firm is also available on the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov by searching by our Firm's name or by a unique identifying number, known as the CRD number. Our Firm's CRD number is 146339.

Item 2: Material Changes

Family Fiduciary Services, Inc. ("FFSI") filed its last Form ADV Annual Updating Amendment in March of 2022. Since its last annual filing, FFSI made a material changes or enhancements to the following sections:

- **Item 4: Advisory Business**

  "The Use of Sub-Advisors, Direct Indexing, and Discretionary Investment Management"

  FFSI has broadened its advisory offering by now incorporating the use of sub-advisors for direct indexing strategies.

- **Item: 14 Client Referrals and Other Compensation**

  E. Direct Indexing and Compensation Paid to FIWA[1] as a Sub-Adviser

  As compensation for FIWA's sub-advisory services utilizing direct indexing strategies, FFSI has disclosed its fee arrangement with FIWA.

- **Item 16. Investment Discretion**

  Discretionary Investment Management and the Use of Sub-Advisers

  FIWA's sub-advisory services utilizing direct indexing strategies requires clients to execute a discretionary investment management agreement with FFSI.

[1] Fidelity Institutional Wealth Advisor LLC

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Item 4: Advisory Business

A. Firm Information

Family Fiduciary Services, Inc. ("FFSI" or the "Firm") was organized in October 2007 as a corporation under the laws of the State of Delaware with its principal office and place of business located in the Commonwealth of Massachusetts ("Massachusetts"). FFSI's registration as an investment adviser with Massachusetts became effective in April 2008; in July of 2020, the Firm transition to registration as an investment adviser with the Securities and Exchange Commission[2]. The Firm's Principal Owner and President is Mr. David L. Grey, who also serves as FFSI's Chief Compliance Officer.

FFSI formulates its advice as part of its investment committee. Members of the investment committee include Mr. Grey, Mr. Stephen N. Wilchins, ESQ, Dr. Lawrence G. Miller, Dan Rea III. The committee members meet quarterly. Its agenda generally consists of the economic outlook, market performance, target asset allocations, and review of client accounts. Client accounts are reviewed in relation to their asset allocation targets and performance.
Mr. Grey is the only committee member that has direct client contact and is responsible for the day-to-day management of client accounts.

B. Description of Services

FFSI provides **Investment Management Services** ("IMS") to individuals, high net worth, corporations, trusts, and foundations (collectively, "Client" or "Clients"). The Firm's IMS is offered on both a discretionary and non-discretionary basis. In connection with the Firm's IMS offering, FFSI also offers **Trustee Services, Bill Paying and Related Services.**

Investment Management Services

FFSI provides customized Investment Management Services solutions. This is achieved through regular Client contact and interaction while providing non-discretionary investment management. The Firm works closely with each Client to identify their investment objectives and risk tolerance to construct the optimal asset allocation. Asset allocation consists of allocating Client assets amongst various asset classes in attempt to seek the optimal return for a given level of risk. Once the optimal asset allocation is agreed upon, the Firm will implement a portfolio through the purchase of mutual funds, exchange-traded funds, and cash equivalents (e.g., money market funds, Treasury Bills).

The Firm's investment strategies are primarily long-term focused, but the Firm may buy, sell or re-allocate positions that have been held less than one year to meet the objectives of the Client or due to market conditions. FFSI will construct, implement, and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to agreement by FFSI[3].

FFSI selects investments for inclusion in Client portfolios after a thorough evaluation process. The Firm recommend, on occasion, redistributing investment allocations to diversify the portfolio. FFSI may recommend specific positions to increase sector or asset class weightings. The Firm may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains

[2] Registration as an investment Adviser with the Securities and Exchange Commission is not intended to imply any level of skill or training.
[3] As a fiduciary, the Firm must ensure that asset allocation or securities purchased are in the best interest of each Client.

or losses, or change in risk tolerance. For the fees associated with Investment Management Services, please see "Item 5 – Fees and Compensation".

The Use of Sub-Advisors, Direct Indexing, and Discretionary Investment Management

As part of the Firm's discretionary investment management offering, FFSI may incorporate a direct indexing strategy for all or a portion of your assets managed. FFSI utilizes the direct indexing services of Fidelity Institutional Wealth Adviser LLC ("FIWA"). In this capacity, FFSI engages FIWA as a sub-adviser, tasked with discretionary investment management over the assets allocated to FIWA.

FIWA's direct indexing strategy provides customized separately managed account portfolios that consider tax effects for taxable clients. Taxable accounts generally invest in equity securities and are managed using investing techniques that seek to enhance after-tax returns, including, without limitation, harvesting tax losses and analyzing tax lots. FIWA seeks to provide, consistent with the client mandated investment guidelines, improved returns over the designated benchmark on an after-tax basis.

Trustee Services

In connection with IMS, the Firm also serves as trustee. A trustee is a person or entity that holds and administers property or assets for the benefit of a third party. Trustees are trusted to make decisions in the beneficiary's best interest and have fiduciary responsibility to the trust beneficiaries.

A trustee is thus responsible for the proper management of all property and other assets owned by the trust for the benefit of a beneficiary. A trustee's specific duties are unique to the agreement of the trust and dictated by the type of assets being held in trust. Trustees are also required to financially manage and oversee accounts within a trust when it is made up of other investments, like equities in an investment advisory account.

FFSI will serve as corporate trustee as needed. Mr. Grey will also serve as individual trustee as needed.

Bill Paying and Tax Organization Services

In connection with IMS, FFSI also offers bill paying and related services. Bill paying is a convenient and secure way to ensure monthly bills and expense are paid correctly and on time with the goal of reducing the burden and family stress. FFSI scrutinizes every bill for accuracy, identifies errors, and resolves any issues on the client's behalf. Advantages include:

- bills paid correctly and on time based on a Client's monthly budget
- no longer a need to track bills
- no more concerns over receiving late fees or penalties
- personal service in the event a Client has questions

Tax Organization Services include organizing records for tax preparation and related tasks.

C. IMS Tailored to the Individual Needs of Each Client and Imposition of Reasonable Restrictions

Investment management service offerings allow tailored solutions and reasonable restrictions. Based on a client's risk tolerance and goals, FFSI will develop a custom-tailored solution to help clients meet their individual needs. Reasonable restrictions may include reducing or restricted the allocation to certain asset classes (e.g., equity, debt, real estate, etc.) or sectors (e.g., tobacco industry, auto industry, technology). Clients may also have a preference for holding individual securities for tax purposes, or an overweighting in in ESG-related securities (environmental, social, governance).

D. Wrap Fee Programs

The Firm does not participate nor offer wrap fee programs.

E. Assets Under Management

The amount of Client assets managed by FFSI totaled $123,477,874 as of December 31, 2022. The entire portion is managed on a non-discretionary basis. Please see “Item 16 – Investment Discretion” for more information.

Item 5: Fees and Compensation

5(A1) Description of Fees for Investment Management Services, Trustee Services, and Bill Paying and Tax Organization Services

The annual fee for the Firm’s Investment Management Services is charged as a percentage of assets under management, according to the fee table below. AUM is based on the account value of FFSI “households” or combines accounts/assets of the same household for purposes of calculating fees. Fees may be negotiable. Lower fees for comparable services may be available from other investment advisers.

Assets Under Management	Investment Management Annualized Fee % without any additional services	Annualized Fee % Serving as a Trustee and/or Bill paying and Tax Organization Services
Up to $5.0 million	1.00%	1.50%
Over $5.0 million - $10.0 million	0.75%	1.50%
Over $10.0 million	0.50%	1.50%

5(A2) Description of Fees for Trustee Services and/or Bill Paying and Tax Organization

The annual fee for the Firm’s Trustee Services and/or Bill Paying and Tax Organization Services (“Related Services”) is charged as a percentage of assets under management. **The fee range for Related Services is an additional 0.50% to 1% of assets under management.** Fee may be negotiable. Lower fees for comparable services may be available from other investment advisers or Related Services providers.

5(B) Payment Methods

Fees for Investment Management Services and Related Services are payable quarterly in arrears. Asset values are based upon account valuations on the last trading day of the quarter. Fee deductions based on this valuation are generally within two weeks following the end of the quarter. In any partial calendar quarter, the fee will be prorated based on the number of days that the account was opened during the calendar quarter.

By utilizing FFSI’s required custodian, Fidelity Investments Institutional Services, Inc.[4] (“Fidelity”) fees are deducted directly from Client accounts. Clients will receive custody statements from Fidelity on a quarterly basis. Custody statements should be reviewed carefully to ensure your fee is calculated accurately. Should you believe your fee has been calculated inaccurately, please contact FFSI promptly to resolve the issue.

[4] Fidelity and FFSI are unaffiliated companies.

5(C) Other Fees and Expenses

Note, the "annualized fee" excludes brokerage costs such as commissions, markups, markdowns, ticket charges, and underlying mutual fund expenses. FFSI does not receive or share in any such fees. The Firm may recommend the purchase of individual securities (e.g., stocks and bonds), exchange-traded funds ("ETFs"), or mutual funds. If the Firm recommends the purchase of ETFs or mutual funds, effectively Clients are subject to two (2) layers of fees:

1) **Direct advisory fee** according to the fee table in this section, and
2) **Indirect advisory fees** (that is, the advisory fee paid by the mutual fund to the adviser of the mutual fund. For a detailed treatment of brokerage costs, please carefully review "Item 12 – Brokerage Practices".

5(D) Timing of Fee Payment, Termination Provisions, and Refunds

Before providing Investment Management Services, a Client will be required to enter into a written investment advisory agreement (the "Agreement"). The Agreement sets forth the terms and conditions of the engagement and describes the scope of services to be provided. As stated previously in "5(B) – Payment Methods", fees are paid each calendar quarter in arrears. Clients have the right to terminate the Agreement by providing 30-days written notice. The Agreement will continue in effect until terminated by either party via written notice to the other party.

5(E) No Compensation for the Sale of Securities

Neither FFSI nor any of its supervised persons receive any compensation whatsoever from the purchase or sale of securities.

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

The Firm does not charge any performance-based fees.

Item 7: Types of Clients

FFSI offers Investment Management Services ("IMS") to individuals, high net worth individuals, corporations, trusts and foundations. IMS does not have a specified required minimum account size.

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

FFSI utilizes a disciplined approach in adhering to fundamental investment principles. The Firm's philosophy is based in finance theory and common sense. FFSI embraces the philosophy that supports three long-term asset allocation principles. These principles are:

- **The importance of equity ownership**

  Allocation to equity-like assets enhance portfolio characteristics as the superior returns expected form high-risk positions ultimately produce greater wealth.

- **The efficacy of portfolio diversification**

  Commitments to a range of asset types that behave differently from one another improve portfolio attributes, as the reduced risk associated with broadly diversified portfolios ultimately produces more stable returns.

- **The significance of tax sensitivity**

  Attention to the tax characteristics of asset classes and tax consequences of portfolio strategies strengthen portfolio results, as the improved after-tax returns ultimately produce more assets. The wealth-creating equity bias, the risk-reducing portfolio diversification and the return-enhancing tax sensitivity combine to undergird the asset-allocation structure of effective investment portfolios.

Methods of Analysis

Research and analysis from FFSI are derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

Investment Strategies

The Firm utilizes a stringent process in order to construct and implement an investment portfolio for its Clients. As part of the process each Client completes:

1. **Client Financial Profile (the "Profile")**

   The Profile helps determine the optimal risk tolerance based upon answers provided by the Client. This information assists FFSI in understanding a Client's risk tolerance, and generating a risk score.

2. **Investment Policy Statement (the "IPS")**

   The IPS captures important information in constructing the optimal portfolio. Information captured includes objectives, time horizon, tax considerations, preferences, and constraints.

Review and Discussion of Responses to the Profile and IPS

Following completion of the Financial Profile and Investment Policy, FFSI reviews and discusses all responses with the Client. The Firm then utilizes this information to construct an investment portfolio that is consistent with a client's objectives and risk tolerance.

Model Portfolio Construction

Based upon response to the Financial Profile, Investment Policy Statement, and discussion(s) with the client, FFSI will recommend one (1) of three (3) model portfolio allocations:

- Income Portfolio Allocation
- Moderate Portfolio Allocation
- Aggressive Portfolio Allocation

Each of the three (3) model portfolio allocations includes target ranges for each asset class based upon the Client's individual needs, including constraints and tax considerations.

Investing in securities involves risk of loss that clients should be prepared to bear.

Material Risks of Securities

- **Business Risk**

  When purchasing equity securities or stocks, investors are purchasing a piece of ownership of a company. With a bond, you are loaning money to a company. Returns from both types of securities that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left which may be nothing.

- **Volatility Risk**

  Even when companies are not in danger of failing, their stock price may fluctuate up or down. Market fluctuations can be unnerving to some investors. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

- **Inflation Risk**

  Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

- **Interest Rate Risk**

  Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower rate, you might have to sell it at a discount.

- **Liquidity Risk**

  This refers to the risk that investors will not find a market for their securities, potentially preventing them from buying or selling when they want.

FFSI provides investment advice on equity securities, fixed income securities (e.g., corporate bonds and government bonds), mutual funds, exchange-traded funds, and foreign and securities. The following is an overview of the primary risks associated with each type of investment product offered by the Firm:

- **Equity Securities**

  Equity Securities or stocks offer investors the greatest potential for growth (capital appreciation) over the long haul. Investors willing to stick with stocks over long periods of time, generally have been rewarded with positive returns. However, stock prices move down as well as up. There is no guarantee that the company whose stock you hold will grow and do well. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. The company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing. Market fluctuations can be unnerving to some investors. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

- **Fixed Income Securities**

  Bonds can provide a means of preserving capital and earning a predictable return. Bond investments provide steady streams of income from interest payments prior to maturity. However, as with any investment, bonds have risks. These risks include:

  - **Credit risk**

    The issuer may fail to timely make interest or principal payments and thus default on its bonds.

- **Interest rate risk**

  Interest rate changes can affect a bond's value. If bonds are held to maturity, the investor will receive the face value, plus interest. IF sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher interest rate than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.

- **Inflation risk**

  Inflation is a general upward movement in prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest.

- **Liquidity risk**

  This refers to the risk that investors will not find a market for the bond, potentially preventing them from buying or selling when they want.

- **Call risk**

  The possibility that a bond issuer retires a bond before its maturity date, something an issuer might do if interest rates decline, much like a homeowner might refinance a mortgage to benefit from lower interest rates.

- **Mutual Funds**

  Mutual funds are investment companies that pool money from investors and invest it based on specific investment goals of the fund. Mutual funds raise money by selling their own shares to investors. The money is used to purchase a portfolio of stocks, bonds, money-market instruments, other securities or assets, or some combination of these investments. Each share represents an ownership piece in the fund and gives the investor proportional right, based on the number of shares he or she owns, to income and capital gains that the fund generates from its investments.

  The particular investments a fund makes are determined by its objectives and, in the case of an actively managed fund, by the investment style and skill of the fund's professional manager or managers. The holdings of the mutual fund are known as its underlying investments, and the performance of those investments, minus fund fees, determines the fund's investment return.

  While there are thousands of individual mutual funds, there are only a handful of major fund categories:

  - Stock funds invest in stocks.
  - Bond funds invest in bonds.
  - Balanced funds invest in a combination of stocks and bonds.
  - Money market funds invest in very short-term investments and are sometimes described as cash equivalents.

You can find all of the details about a mutual fund, including its investment strategy, risk profile, performance history, management, and fees in a fund's prospectus. You should always read the prospectus carefully before investing in a fund.

Mutual funds are equity investments just like individual stocks. When you buy shares of a fund, you become part-owner of the fund. This is true of bond funds as well as stock funds, which means there is an important distinction between owning an individual bond and owning a fund that owns the bond.

When you buy a bond, you are promised a specific rate of interest and return of your principal. That is not the case with a bond fund, which owns a number of bonds with different rates and maturities. What your equity ownership of the fund provides is the right to a share of what the fund collects in interest, realizes in capital gains, and receives back if it holds a bond to maturity.

How Mutual Funds Work

If you own shares in a mutual fund you share in its profits. For example, when the fund's underlying stocks or bonds pay income from dividends or interest, the fund pays those profits, after expenses, to its shareholders in payments known as income distributions. Also, when the fund has capital gains from selling investments in its portfolio at a profit, it passes on those after-expense profits to shareholders as capital gains distributions. You generally have the option of receiving these distributions in cash or having them automatically reinvested in the fund to increase the number of shares you own.

Of course, you have to pay taxes on the fund's income distributions, and usually on its capital gains, if you own the fund in a taxable account. When you invest in a mutual fund you may have a short-term capital gain, which is taxed at the same rate as your ordinary income. You may also owe capital gains taxes if the fund sells some investments for more than it paid to buy them, even if the overall return on the fund is down for the year or if you became an investor of the fund after the fund bought those investments in question.

However, if you own the mutual fund in a tax-deferred or tax-free account, such as an individual retirement account, no tax is due on any of these distributions when you receive them. But you will owe tax at your regular rate on all withdrawals from a tax-deferred account.

You may also make money from your fund share by selling them back to the fund, or redeeming them if the underlying investments in the fund have increased in value since the time you purchased shares in the funds. In that case, your profit will be the increase in the fund's per-share value, also known as its net asset value or NAV. Here, too, taxes are due the year you realize gains in a taxable account, but not in a tax-deferred or tax-free account. Capital gains for mutual funds are calculated somewhat differently than gains for individual investments, and the fund will let you know each year your taxable share of the fund's gains.

Active vs. Passive Management

Active funds employ a professional portfolio manager, or team of managers to decide which underlying investments to choose for its portfolio. In fact, one reason you might choose a specific fund is to benefit from the expertise of its professional managers. A successful fund manager has the experience, the knowledge, and the time to seek and track investments, a key attribute that you may lack.

The goal of an active manager is to beat the market, to get better returns by choosing investments he or she believes to be top-performing selections. Which there is a range of ways to measure market performance, each fund is measured against the appropriate market index or benchmark based on the stated investment strategy and the types of investments it makes.

One of the challenges that portfolio managers face in providing stronger-than-benchmark returns is that their funds' performance needs to compensate for their operating costs. The returns of actively managed funds are reduced first by the cost of hiring a professional fund manager and second by the cost of buying and selling investments in the fund.

In any given year, most actively managed funds do not beat the market. In fact, studies show that very few actively managed funds provide stronger-then-benchmark returns over long periods of time, including those with impressive short-term performance records. That is why many individuals invest in funds that do not try to beat the market at all. These are passively managed funds, otherwise known as index funds.

Passive funds seek to replicate the performance of their benchmarks instead of outperforming them. For instance, the manager of an index fund that tracks the performance of the S&P 500 typically buys a portfolio that includes all of the stocks in that index in the same proportions as they are represented in the index. Because index funds do not need to retain active professional managers, and because their holdings are not as frequently traded, they normally have lower operating costs than actively managed funds. However, the fees vary from index fund to index fund, which means the return on these funds varies as well.

Fund Objectives

Within the major categories of mutual funds, there are individual funds with a variety of investment objectives, or goals the fund wants to meet on behalf of its shareholders. Here is just a sampling of the many you may find:

Stock Funds

- **Growth funds** invest in stocks that the fund's portfolio manager believes have the potential for significant price appreciation.
- Value funds invest in stocks that the fund's portfolio manager believes are underpriced in the secondary market.
- **Equity income funds** invest in stocks that regularly pay dividends.
- **Stock index funds** are passively managed funds, which attempt to replicate the performance of a specific stock market index by investing in the stocks held by that index.
- **Small-cap, mid-cap, or large-cap stock funds** stick to companies within a certain size range. Economic cycles tend to favor different sized companies at different times, so, for example, a small-cap fund may be doing very well at a time when large-cap funds are stagnant, and vice versa.
- **Socially responsible funds** invest according to political, social, religious, or ethical guidelines, which you will fund described in the fund's prospectus. Many socially responsible funds also take an activist role in the companies where they invest by representing their shareholders' ethical concerns at meetings with company management.
- **Sector funds** specialize in stocks of particular segments of the economy. For example, you may find funds that specialize solely in technology stocks, healthcare stocks, and so on. Sector funds tend to be less diversified than funds that invest across sectors, but they do provide a way to participate in a profitable segment of the economy without having to identify specific companies.
- **International, global, regional, country-specific, or emerging market funds** extend their reach beyond the United States. International funds invest exclusively in non-U.S. companies.

Bond Funds

- **The corporate, agency or municipal bond funds** focus on bonds for a single type of issuer, across a range of different maturities
- **Short-term or intermediate-term bond funds** focus on short or intermediate-term bonds from a wide variety of issuers
- **Treasury bond funds** invest in Treasury issues
- **High-yield bond funds** invest in lower-rated bonds with higher coupon rates

Other Funds

- **Balanced funds** invest in a mixture of stocks and bonds to build a portfolio diversified across both asset classes. The target percentages for each type of investment are stated in the prospectus. Because stocks and bonds tend to do well during different phases of an economic cycle, balanced funds may be less volatile than pure stock or bond funds**.**

- **Fund of funds** is mutual funds that invest in other mutual funds. While these funds can achieve much greater diversification than any single fund, their returns are affected by the fees of both the fund itself and the underlying funds. There may also be redundancy, which can cut down on diversification since several of the underlying funds may hold the same investments.
- **Target-date funds**, sometimes called lifecycle funds, are funds of funds that change their investments over time to meet goals you plan to reach at a specific time, such as retirement. Typically, target-date funds are sold by date, such as 2025 funds. The farther way the date is, the greater the risk the fund usually takes. As the target date approaches, the fund changes its balance of investments to emphasize conserving the value it has built up to shift toward income-producing investments.
- **Money market funds** invest in short-term debt, such as Treasury bills and the very short-term debt corporate debt known as commercial paper. These investments are considered cash equivalents. Money market funds invest with the goal of maintaining a share price of $1. They are sometimes considered an alternative to bank savings accounts although they are not insured by the FDIC. Some funds have private insurance.

It is important to keep in mind that funds do not always invest 100% of their assets in line with the strategy implied by their stated objectives. Some funds undergo what is called style drift when the fund manager invests a portion of assets in a category that the fund would typically exclude. Fund managers may make this type of adjustment to compensate for lagging performance, but it may expose you to risks you were not prepared to take.

Exchange-Traded Funds

Exchange-traded funds ("ETFs") combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund that offers an investor an interest in a professionally managed, diversified portfolio of investments. But unlike mutual funds, ETF shares trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices.

The Mechanics of ETFs

Unlike mutual funds, ETFs do not sell shares to or redeem shares from, retail investors directly. To make it possible for investors to buy and sell shares on an exchange, ETFs follow a unique format. An ETF enters into contracts with financial institutions (typically large brokerage firms) to act as Authorized Participants (APs). APs purchase and redeem shares directly with the ETF in large blocks of shares called Creation Units. APs typically sell some or all of their shares on an exchange. This enables investors to buy and sell ETF shares like the shares of any publicly traded company.

Buying and Selling ETFs

Investors purchasing or selling shares in an ETF typically pay a brokerage commission on each transaction. When you purchase or sell ETF shares, you receive the market price on the exchange at the time the order is placed. This price may fluctuate throughout the trading day. A mutual fund, on the other hand, determines its net asset value at the close of each trading day. When you purchase or redeem mutual fund shares, you receive the price based on the net asset value next computed after you submitted your order. The intraday pricing of ETFs tends to provide investors with greater trading flexibility because you can monitor how the price is doing and do not have to wait until the end of the day to know your purchase or sale price.

As with other investments, you can make money with ETFs if you sell your shares for more than you paid. You also benefit if the securities an ETF holds pay interest or dividends. That income may either be reinvested or paid to shareholders quarterly or annually, depending on the way the ETF is structured. An ETF may also decline in value. Of course, if the value falls and you sell, you may have a loss.

ETF Expenses

In addition to any brokerage commission you may pay, ETFs have expense ratios, like mutual funds, calculated as a percentage of the assets you have invested. ETFs do not have loads or 12b-1 fees (fees that are taken out of a mutual fund's assets annually to cover the costs of marketing and distributing the fund to investors).

In general, actively managed ETFs cost more than passively managed index ETFs. Before purchasing ETF shares, carefully read all of an ETF's available information, including its prospectus. All ETFs will deliver a prospectus upon request.

ETFs and Taxes

You can own ETFs in taxable, tax-deferred or tax-free accounts. In taxable accounts, any capital gains you realize from selling fund shares are taxed in the year you realize them, though the rate that applies may be your long-term capital gains rate.

In contrast, in a tax-deferred account, any gains become part of the total assets in the account and are taxed as ordinary income when you withdraw them at some point in the future. In a tax-free account, any gains or income will not be taxed if you follow the rules for withdrawals.

While ETFs held in a taxable account will generally result in less tax liability than if you held a similarly invested mutual fund in the same account, there can be exceptions. For example, certain emerging market funds and funds that invest in precious metals, which are considered "collectibles" by the IRS, taxed as ordinary income for short-term gains and 28 percent for long-term gains. For more information about the tax treatment of a particular ETF, make sure to read the prospectus.

International or Foreign Securities

Investors in the United States have access to a wide selection of investment opportunities. These opportunities include international investments that give investors international exposure. The two main reasons individuals invest in international investments and investments with international exposure are:

- **Diversification** (spreading investment risk among foreign companies and markets in addition to U.S. companies and markets); and
- **Growth** (taking advantage of the potential for growth in some foreign economies, particularly in emerging markets).

International or foreign investment returns may move in a different direction, or at a different pace, than U.S. investment returns. In that case, including exposure to both domestic and foreign securities in a portfolio may reduce the risk that an investor will lose money if there is a drop in U.S. investment returns and a portfolio's overall investment returns over time may have less volatility. Keep in mind, though, that this is not always true and that with globalization, markets are increasingly intertwined across brokers. While investing in any security requires careful consideration, international investing raises some special issues and risks. These include:

- **Access to different information**

  In some jurisdictions, the information provided by foreign companies is different than the information provided by U.S. companies.

- **Costs of international investments**

  International investing can be more expensive than investing in U.S. companies.

- **Changes in currency exchange rates and currency controls**

  Foreign investment also has foreign currency exchange risk. When the exchange rate between the foreign currency and the U.S. dollar changes, it can increase or reduce an investment return in a foreign security.

- **Changes in market value**

  All securities markets can experience dramatic changes in market value, whether foreign or domestic.

- **Political, economic and social events**

  Depending on the country or region, it can be more difficult for investors to obtain information about and comprehensively analyze all the political, economic and social factors that influence a particular foreign market.

- **Different levels of liquidity**

  Some foreign markets may have lower trading volumes for securities, or fewer listed companies than U.S. markets.

- **Legal remedies**

  The jurisdiction in which investors purchase a security can affect whether they have, and where they can pursue legal remedies against foreign companies, or any other foreign-based entities involved in a transaction.

- **Different market operations**

  Foreign markets may operate differently from the major U.S. trading markets. For

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with FFSI.

Item 9: Disciplinary Information

There are no legal, regulatory or disciplinary events involving FFSI, its principal owner, Mr. David L. Grey, or any of its investment committee members.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

The Firm is not registered as a broker or dealer, nor does it have an application pending to register as a broker or dealer.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser, and Non-U.S. Registrations

FFSI is not registered with the U.S. Commodities and Futures Trading Commission as a Commodity Pool Operator ("CPO") or Commodity Trading Advisor ("CTA").

C. Material Relationships

As stated previously, Firm's Chairman of the Board of Directors, Investment Committee Member, and shareholder, Mr. Stephen Wilchins provides business and estate planning services via his law firm, Wilchins, Cosentino & Novins, LLP. FFSI may identify the need for business and estate planning, or legal services (the "Services") and recommend Mr. Wilchins or his law firm. This represents a material conflict of interest. We attempt to mitigate this conflict of interest by generally providing clients with more than one recommendation, and also provide full disclosure to clients. Clients have no obligation to utilize the Services of Mr. Wilchins or his law firm.

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

A. Code of Ethics

As a fiduciary, the Firm has an affirmative duty to render continuous, unbiased investment advice, and at all times, act in the Clients' best interest. To maintain this ethical responsibility to Clients, the Firm has adopted a Code of Ethics ("COE") that establishes the fundamental principles of conduct and professionalism expected by all other officers, directors, and employees in discharging their duties. A copy of the Firm's COE is made available upon request. Requests may be made via telephone, regular mail, or email address using the contact information provided on the Cover Page.

The FFSI's COE is designed to deter inappropriate behavior and heighten awareness as to what is fair and equitable by promoting:

- Honest and ethical conduct
- Full, fair and accurate disclosure
- Compliance with applicable rules and regulations
- Reporting of any violations of the COE
- Accountability

B. Personal Trading with Material Interest

While FFSI allows access persons[5] to buy and sell open-end mutual funds, ETFs, and individual stocks, the Firm does not act as a principal in any transaction. Furthermore, FFSI does not act as the general partner of a fund or advise an investment company. The Firm does not have a material interest in any securities traded in Client accounts.

C. Personal Trading in Same Securities as Clients

As previously stated, FFSI allows access persons to buy and sell open-end mutual funds, ETFs, and individual securities recommended to Clients. However, the Firm has adopted a Code of Ethics to address various conflicts of interest. Conflicts of interest addressed include, trading ahead of clients in the same securities, insider trading (material non-public information controls), gifts and

[5] "Access Persons" are defined as any of the Firm's supervised persons who have access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or who have access to such recommendations that are nonpublic.

entertainment, outside business activities, and personal securities reporting. Our fiduciary duty to act is to act in the best interest of its Clients, and it could be violated if any of our access persons purchase securities on more advantageous terms than Client trades, or by trading based on material non-public information. We attempt to mitigate this risk by enforcing and adhering to FFSI's Code of Ethics.

D. Personal Trading at Same Time as Client

As already addressed, the Firm allows the purchase and sales of open-end mutual funds, ETFs, and individual securities by access persons.

Item 12: Brokerage Practices

A. Selection and Recommendation for Client Transactions

We seek to select broker-dealer(s) who execute transactions on terms that are, overall, most advantageous when compared to other service providers. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and assets custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other Clients
- Availability of other products that may benefit FFSI (Please see "Item 14 – Client Referrals and
- Other Compensation")

1. Research and Other Soft Dollar Benefits

FFSI does not participate in soft dollar programs sponsored or offered by any broker-dealer. However, the Firm does receive certain economic benefits when utilizing its recommended broker-dealer / custodian, Fidelity. "Please see Item 14 – Client Referrals and Other Compensation."

2. Brokerage for Client Referrals

FFSI does not receive any Client referrals for directing Client transactions to broker-dealers for trade execution.

3. Directed Brokerage

A. FFSI Directed Brokerage

The Firm exclusively recommends Fidelity as the custodian for safeguarding Client assets. Fidelity is a registered broker-dealer, and all securities purchases and sales (e.g., equity, debt, exchange-traded funds, and mutual funds will be directed to Fidelity for execution. Not all advisers require their Clients to direct securities transactions to a single broker-dealer for execution. By directing all brokerage transactions to Fidelity, Clients may be unable to achieve the most favorable execution, and this practice may cost Clients more money.

B. Client Directed Brokerage

The Firm does not permit Clients to direct securities transactions to the broker of their choice.

4. Investment Management Services

As part of its Investment Management Services offering, the Firm also serves as trustee for clients. As part of its process as a fiduciary, FFSI may recommend business and estate planning, or legal services of Mr. Stephen N. Wilchins, ESQ[6]. This represents a material conflict of interest in that Mr. Wilchins is also an investment committee member and shareholder of FFSI. Lower cost alternative investment management services that are not affiliated with a legal practice may be available through other investment advisers.

B. Aggregating and Allocating Trades

Due to the personal attention that each Client receives, FFSI generally does not allocate Client transactions or orders. Trade aggregation is the process of bunching orders for multiple Client accounts. This practice attempts to obtain more favorable pricing and or reduced transaction costs (e.g., commissions) by placing larger orders. Since the Firm does not generally aggregate orders, this may result in less favorable pricing and or increased costs (e.g., commissions) for Client accounts.

Item 13: Review of Accounts

A. Frequency of Reviews

Client accounts are reviewed monthly during normal market conditions.

B. Non-Periodic Review of Client Accounts

During periods of extreme market volatility, accounts are monitored on a daily basis. Non-periodic reviews may also be triggered by material market, economic or political events, or by changes in a Client's financial situation such as a change in investment objective or risk tolerance, retirement, termination of employment, relocation, inheritance, or any other concern that may be prompted by the Client.

C. Quarterly Activities and Client Communications

Investment Committee Meetings

FFSI also employees an investment committee consisting of three highly experienced members. The committee members consist of Mr. David Grey, Mr. Stephen Wilchins, Dr. Larry Miller, and Dan Rea III. Members meet quarterly, and its agenda generally consists of:

- Economic outlook
- Market performance
- Target asset allocations
- Review of client accounts

The investment committee reviews client accounts in relation to its asset allocation targets and performance.

[6] Mr. Wilchins is a Partner of Wilchins, Cosentino & Novins LLP.

Quarterly Client Letter, Performance Summary

Each client receives a quarterly letter summarizing market performance and account performance. The Firm's custodian, Fidelity also produces a quarterly custody statement. Clients are urged to carefully compare FFSI's Quarterly Client Letter to Fidelity's quarterly custody statement. Should there be a discrepancy, Fidelity's custody statement takes precedency. Clients are urged to contact FFSI promptly to resolve any discrepancy.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits of Utilizing Fidelity Platform

FFSI has established an institutional relationship with Fidelity, a division of Fidelity ("Fidelity") is dedicated to serving independent investment advisers. As an investment adviser utilizing Fidelity's platform, the Firm receives access to software and related support without cost because of FFSI's Clients custody of assets at Fidelity and utilize Fidelity as its sole executing broker-dealer. Services provided by Fidelity benefit many, but not all, Fidelity Clients. The receipt of economic benefits from Fidelity custodian creates a potential conflict of interest since these benefits influence FFSI's recommendation of Fidelity as its custodian and sole executing broker-dealer.

B. No Compensation Received for Referral Arrangements

FFSI does not receive any compensation for Client referrals. However, FFSI may refer Clients to unaffiliated service providers such as attorneys, tax preparers, accountants, estate planners, and real estate agents, and loan officers ("Service Providers"). The Firm does not receive any compensation for these referrals. In turn, these Service Providers may refer Clients to FFSI. Whether the Firm receives a Client referral or refers a Client to a Service Provider, no compensation is received or paid.

C. Services that May Only Benefit FFSI

Fidelity also offers other services to FFSI that may not benefit FFSI Clients. These services include educational conferences and events, ongoing support, consulting services, and discounts for various service providers. Access to these services creates an incentive for the Firm to recommend Fidelity, which represents a conflict of interest.

D. Client Referrals from Solicitors

The Firm does not compensate any person directly or indirectly for Client referrals.

E. Direct Indexing and Compensation Paid to FIWA as a Sub-Adviser

As disclosed in "Item 4 – Advisory Services," under the heading of "The Use of Sub-Advisers, Direct Indexing, and Discretionary Investment Management," the Firm utilizes the direct indexing services ("Services") of Fidelity Institutional Wealth Advisor LLC ("FIWA"). As compensation for its Services, FFSI pays FIWA quarterly in arrears based on the following schedule:

FFSI Client Assets Managed by FIWA	Annualized Fee
First $25 million	0.25%
Next $25 million	0.20%
Next $50 million	0.15%
Over $100 million	0.13%

As a result of the benefits to FFSI and the compensation paid to FIWA, this arrangement represents a material conflict of interest. Note, Clients do not pay an additional fees as a result of this relationship. FFSI shares a portion of its investment management fee, and this fee is not passed on to Clients.

Item 15: Custody

Investment Management Accounts in Which FFSI Does Not Serve as Trustee

As disclosed in "Item 5 – Fees and Compensation", FFSI directly debits advisory fees directly from client accounts. As part of the billing process, the client's custodian, Fidelity is advised of the amount of the fee to be deducted from that client's account. On a quarterly basis, Fidelity is required to provide each client with a statement which displays all trading activity and the deduction of the quarterly fee.

Investment Management Accounts in Which FFSI Serves as Trustee

When FFSI serves as trustee on investment management accounts held at Fidelity, the Firm is deemed to have custody of client assets. All accounts in which the Firm is deemed to have custody are subject to an annual surprise examination by an independent accounting firm registered with the Public Accounting Company Oversight Board.

Importance of Verification of the Fee Calculation

Since Fidelity does not calculate the amount of the fee deduction, it is important for clients to carefully review their custody statements to verify the accuracy of the calculation. Clients should contact FFSI directly if they believe that there is an error in their statement.

Item 16: Investment Discretion

FFSI Investment Management Services

FFSI manages client assets on both a discretionary and non-discretionary basis. All Clients are required to execute either a discretionary or non-discretionary investment management agreement. Discretionary investment management agreements authorize the Firm to buy and sell securities on a client's behalf without first obtaining permission[7]. Non-discretionary investment management agreements require FFSI to obtain client permission prior to and on the same day securities are bought and sold for client accounts.

Discretionary Investment Management and the Use of Sub-Advisers

As disclosed in "Item 4 – Advisory Services," under the heading of "The Use of Sub-Advisers, Direct Indexing, and Discretionary Investment Management," the Firm utilizes the direct indexing services ("Services") of Fidelity Institutional Wealth Advisor LLC ("FIWA"). Under this arrangement, the Client executes a discretionary investment management agreement with FFSI. FFSI and the Client grant discretionary authority to FIWA to manage all or a portion of assets allocated. In this relationship, FFSI acts as the adviser to the client, and FIWA acts as a sub-adviser to FFSI.

Item 17: Voting Client Securities

The Firm does not vote proxies for securities held in client accounts. Clients retain the responsibility for receiving and voting proxies for all securities maintained in client portfolios.

Proxies are sent by the custodian or transfer agent directly to the client. And, although the Firm will not vote client proxies, FFSI will assist the client with general questions regarding the proxies.

[7] This includes rebalancing client portfolios which is accomplished through buying and selling securities.

Item 18: Financial Information

The Firm does not require the payment of fees in the amount of $1,200 or more six months or more in advance. No financial condition of which the Firm is currently aware that would impair the Firm's ability to meet its contractual commitment to its Clients. The Firm has not been the subject of a bankruptcy petition within the past ten years.