

FIRM DISCLOSURE BROCHURE



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March 31, 2023

DISCLAIMER:

This **FIRM BROCHURE** provides information about the qualifications and business practices of **First Financial Advisors LC**. If you have any questions about the contents of this **FIRM BROCHURE**, please contact us at 801-356-9600. Our website is found at <http://www.first-financial-advisors.com>. The information in this **FIRM BROCHURE** has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about **First Financial Advisors LC** is available on the SEC's website at www.adviserinfo.sec.gov. The CRD number for First Financial Advisors LC is 118184.

NOTE:

While First Financial Advisors LC may refer to itself as a "registered investment advisor" or "RIA," Clients should be aware that registration itself does not imply any level of skill or training.

MATERIAL CHANGES FROM PREVIOUS VERSION:

None

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ADVISORY BUSINESS

INTRODUCTION

First Financial Advisors LC (hereafter **FFA** or the **Advisor**), is a fee-based investment adviser that offers Portfolio Management Services.

FFA was organized in March 1998 and has been an RIA since 1998. The experience, education, and background of its principals and investment adviser representatives (herein **IA Reps**) can be found in the accompanying *BROCHURE SUPPLEMENT* document.

FFA's sole beneficial owner is **Alan G. Cutler** (hereafter **Cutler**). Cutler beneficially owns 100% interest in FFA individually (5%) and through his solely owned and controlled entity, **Hometown Corporation**, which owns 95%.

INITIAL CONSULTATION

FFA will begin by providing the Client a free initial consultation. FFA uses the initial consultation to:

- Introduce the Client to FFA's firm, its services, and staff.
- Gather information about the Client's investment objectives, financial condition, and risk tolerance, which FFA uses in formulating its investment advice; and
- Reach an agreement on the terms of service and compensation arrangements.

The consultation must be completed before FFA will make any specific recommendations about the Client's asset allocation or securities to buy or sell.

At the conclusion of the initial consultation, the Client will sign FFA's *Investment Advisory Agreement*, which serves as the contract between the Client and FFA, specifying the precise nature of services to be rendered by FFA and fees to be paid by the Client.

PORTFOLIO MANAGEMENT SERVICES

MANAGED ACCOUNT SERVICE

If the Client elects the *Managed Account Service*, the Client will have the choice of deciding whether portfolio management is performed on a discretionary or non-discretionary basis. FFA primarily seeks to manage Client accounts on a discretionary basis but will also offer non-discretionary management services to those Clients that choose to enter their own transactions.

Whether discretionary or non-discretionary, FFA will evaluate the Client's financial condition and risk tolerance based upon Client's written *Investment Policy* in order to tailor FFA's investment decisions to meet the Client's investment objectives and individual needs. FFA also allows the Client to impose any restrictions on investing in certain securities or types of securities. The *Managed Account Service* authorizes FFA to purchase and sell a wide variety of stocks, bonds, options (where authorized and approved), ETF's, mutual funds, and to purchase and sell separate accounts within variable annuities.

Non-discretionary accounts require FFA to obtain permission from the Client prior to effecting a securities transaction on their behalf.

ETF/MUTUAL FUND MANAGED ACCOUNT SERVICE

Client may elect to use the *ETF/Mutual Fund Managed Account Service*. This service is similar in all respects to the *Managed Account Service* except that portfolio assets are focused primarily on Exchange Traded Funds (ETF's) or mutual funds – either open or closed ended – which FFA will buy and sell to implement Client's portfolio strategy as defined in Client's written *Investment Policy*.

FFA will monitor Client accounts on a regular basis as needed so that it may make any necessary transactions in discretionary accounts or make any necessary recommendations to Clients in non-discretionary accounts.

OTHER SERVICES

FFA does not use third party Investment Advisors to act as Portfolio Managers. FFA does not participate in wrap fee programs, nor does FFA recommend investments in private placements. FFA provides complimentary newsletters via email.

FFA has been helping clients manage their old annuity contract assets (not sold by FFA but owned by FFA clients) for a 1% fee for many years. FFA services the client's relationship with the annuity by helping with withdrawals, tax reporting, IRA distributions and RMD's. Management of the contract assets inside the annuity does not require an insurance license. Payment of the management fee for annuities held with TD Ameritrade is now taken directly from the annuity contract at the same time we bill the other investment accounts at TD Ameritrade.

DISCRETIONARY PORTFOLIO MANAGEMENT

For discretionary accounts, the Client will grant FFA limited trading authority (discretionary authority) in the Client's brokerage account by executing the appropriate documents with the Client's broker-dealer/custodian. The discretionary authority will allow FFA to enter securities transactions on the Client's behalf, determining which securities and the amount of securities to

buy or sell. Clients will be notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with FFA.

FFA will also request the Client provide written authorization to allow FFA to automatically deduct its advisory fees from the Client's account (discussed at greater length in the *FEES AND COMPENSATION* section on page 5 below). In addition, FFA may be given the authority by the Client to make distributions and funds transfers from Client accounts under management, as authorized by the Client. Under the terms of the *Investment Advisory Agreement*, Clients will grant to FFA standing authorization to (i) move funds and securities between Client accounts with the Client's broker-dealer custodian and the custodian accounts with third parties designated by Client; (ii) initiate electronic funds transactions between Client accounts at the custodian and accounts with other financial institutions designated by Client; (iii) transfer by wire funds from Client's broker-dealer custodian account to other financial institutions designated by Client; and (iv) disburse assets from Client's IRA account to Client or journal assets between the Client's IRA accounts of identical registration with their custodian. FFA has no authority to change these instructions without the Client's consent and Client may change or terminate these instructions at any time. Each Client will be requested to execute an appropriate agreement with their broker-dealer custodian granting these authorizations. Under the agreement with their custodian, the Client may be required to indemnify the custodian and its affiliates and representatives from any claim, action, or liability, including attorneys' fees arising out of authorizations or execution of FFA's instructions.

As all Clients will be recommended discretionary portfolio management, FFA anticipates the vast majority of its *Managed Account Service* and *ETF/Mutual Fund Managed Account Service* accounts will be managed on a discretionary basis. With regard to current discretionary accounts, as of March 31, 2023, FFA had approximately \$44.6 million in assets under management. As of March 31, 2023, FFA had no money in non-discretionary assets under management. FFA recommends the Client grant discretionary authority to FFA so that it may execute recommendations in a timely fashion, but Clients should always review their brokerage account statements to verify the trading activity and withdrawals that occur in their accounts.

FEES AND COMPENSATION

ADVISORY FEES FOR MANAGED ACCOUNT SERVICE

Whether *Managed Account Services* are performed on a discretionary or non-discretionary basis, FFA charges the same management scaled fee based on a percentage of assets under management (**AUM**) at each level. The percentage of assets fee charged per year is listed in the following table by AUM level:

<u>Portfolio Value</u>	<u>Percentage of Assets Under Management</u>
Up to \$1,000,000	1.5% per annum
\$1,000,001 to \$5,000,000	1% per annum for amounts over \$1,000,000
Over \$5,000,000	0.75% per annum for amounts over \$5,000,000

For AUM of more than \$1,000,000, Clients will be charged 1.5% per annum for the first \$1,000,000 of the Client's AUM and 1% of the Clients AUM over \$1,000,000 and up to \$5,000,000. For AUM of more than \$5,000,000, Clients will be charged 1.5% for the first \$1,000,000 of the Client's AUM, 1% for Client's AUM over \$1,000,000 and up to \$5,000,000, and 0.75% of the Client's AUM over \$5,000,000.

In addition to the above fee schedule, FFA charges a flat 2% fee per annum to a single legacy client to whom FFA provides additional services, including income tax preparation, estate planning, real estate consulting. This arrangement is not offered to any other clients.

The minimum account value accepted by FFA for *Managed Account Services* is \$40,000. All fees are negotiable. Similar services may be offered by others that may be available for lesser fees.

FFA charges the above management fee at the end of each calendar quarter. As the management fees are charged in arrears, FFA does not offer refunds as services have already been performed. Management fees are computed on the basis of average assets under management for the calendar quarter, or portion thereof, as valued by the Custodian at the end of each month in that quarter, including cash.

For Clients that provide written authorization to their broker-dealer/custodian, FFA will arrange to have its management fee automatically deducted from the Client's brokerage account. In this case, the Client's broker-dealer/custodian will send statements, at least quarterly, to the Client that will reflect the advisory fee paid to FFA, but the Client should verify the accuracy of fees paid.

FFA requests all Clients allow for the direct deduction of fees, but for those Clients that do not, FFA will send directly to the Client an invoice for FFA's fees. This invoice will require payment within 15 days after the mailing date on the invoice.

The account management fee includes compensation for asset management, consultation, and reporting services. Either Client or FFA may terminate either the *Managed Account Service* or the *ETF/Mutual Fund Managed Account Service* agreement at any time without penalty by giving written notice to the other party. Fees for partial quarters of service will be prorated. Prorated fees for the final quarter under the service agreement may be waived at the sole discretion of FFA.

Clients will incur other third-party fees and expenses (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) in connection with FFA's advisory services, and Clients are responsible for payment of all third-party fees. For example, the custodian holding Client assets

will assess nominal charges for execution of trades or other scheduled account maintenance services. These fees will be charged directly by the broker-dealer/custodian of the assets. FFA does not charge Clients commissions for trading activity in their accounts. See **BROKERAGE PRACTICES** beginning on page 13 below.

ADVISORY FEES FOR ETF/MUTUAL FUND MANAGED ACCOUNT

FFA charges 1% per annum for managing Client assets under the *ETF/Mutual Fund Managed Account Services*. The minimum account value accepted by FFA for *ETF/Mutual Fund Managed Account Services* is \$60,000. Likewise, FFA does not negotiate its management fee for these services, but it does offer discounts to select friends, employees, and family.

Fees for *ETF/Mutual Fund Managed Account Services* are charged at the end of each calendar quarter and are managed in the same manner as for *Managed Account Services* described above.

Internal management fees are charged by each respective ETF or Mutual Fund manager according to prospectus, ranging from .04% - 2.0% depending upon the assets being managed. FFA does not participate in these fees. Mutual fund shares are of a class that no 12b-1 fees are charged. The Custodian may also charge usual and customary fees for executing trades depending upon the ETF or mutual fund being purchased. FFA does not participate in these fees.

OTHER COMPENSATION

In addition to the management fees described above, individual IA Reps of FFA may also provide accounting or tax preparation services and may receive compensation for these services. Further, Cutler may provide services as a real estate agent under Hometown Properties, a DBA under which he conducts these services. These additional services create a potential conflict of interest and may offer IA Reps an incentive to recommend accounting or tax preparation services or real estate transactions that produce fees for the IA Rep. When any such recommendations are made, IA Reps will disclose their fees prior to completing any transaction and will obtain specific consent from the Client before providing such services. Additionally, Clients always have the option to obtain such services through others not affiliated with FFA.

Such fees will be a marginal part (less than 10 percent) of the IA Reps' business, as their primary focus will be the investment advisory business rather than their accounting or tax preparation or real estate business. Any fees therefrom will be charged separately through Vista Financial Services or Hometown Properties, as applicable, and remitted to the IA Rep in their capacity as an employee of that entity. FFA will not receive any remuneration from its IA Reps for such services. Any fees payable for such services will be in addition to the advisory fees and FFA will not reduce

advisory fees for Clients that engage Vista Financial Services or Hometown Properties through FFA's IA Reps.

For management of client annuity contract assets, FFA charges a 1% per annum management fee. FFA charges the management fee at the end of each calendar quarter. As the management fees are charged in arrears, FFA does not offer refunds as services have already been performed. FFA services the client's relationship with the annuity by helping with withdrawals, tax reporting, IRA distributions and RMD's. Management of the contract assets inside the annuity does not require an insurance license. Payment of the management fee for annuities held with TD Ameritrade is taken directly from the annuity contract at the same time it bills the other investment accounts at TD Ameritrade. Either Client or FFA may terminate the agreement at any time without penalty by giving written notice to the other party. Fees for partial quarters of service will be prorated. Prorated fees for the final quarter under the service agreement may be waived at the sole discretion of FFA.

Disclosure pursuant to California Code Section 260.238(j): Lower fees for comparable services may be available from other sources.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither FFA nor any of its supervised persons will charge performance-based fees (fees based on gains) and so none of FFA Clients' accounts will ever be managed side-by-side.

TYPES OF CLIENTS

FFA will provide advisory services to various types of Clients, including:

- **Individuals:** The majority of FFA's Clients will be individuals seeking portfolio management services for their personal accounts. *Managed Account Services* will be restricted to individual accounts (or multiple accounts in one household) with a minimum value of \$40,000. For *ETF/Mutual Fund Managed Accounts Services* the minimum account value is \$60,000. FFA may waive the minimums for select friends, family or employees.
- **Small Businesses and Non-Profits:** Occasionally, FFA will provide advisory services to small businesses and non-profits seeking portfolio management services for their organization's interests. Portfolio management services will be limited to the same parameters of value and fees as for individual Clients.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

For portfolio management services, FFA uses a combination top-down bottom-up analytical strategy which FFA calls ***Strategic Investing***. Top-down entails a macro view of the world, the economy, government fiscal and monetary policy, oil prices, inflation, interest rates, and consumer sentiment. As always, these macro forces favor some investment sectors while punishing others. Based on these factors FFA uses its judgment to determine possible investment winners and losers. Focusing on the favored investments, FFA next examines the individual companies through traditional fundamental analysis. This includes analysis of financial statements, earnings (both current and projected), dividends, management talent, competitive advantages, product offerings and pricing power, competitors, and markets. This method of analysis evaluates the overall condition of the company (or companies in a mutual fund or ETF) to determine whether FFA believes it is a sound investment. When the best companies within the favored sector are identified, FFA undertakes technical analysis of current price and volume activity. In its technical analysis, FFA seeks to determine the future direction of prices through the study of past market data, primarily price and volume to pick the best time to acquire the stock, what the profit expectations should be, and the expected holding period. This is done by charting the movement of investments to identify trends and patterns used in the selection of securities to purchase and price points to buy and sell. FFA uses a number of stock screeners and other software to chart and analyze the movement of various investments. Despite FFA's best efforts to pick winning stocks, investment in securities carries market risk and investors may lose their principal investment.

For portfolio management services, the investment strategies and assets used will vary depending on the Client's financial goals and risk tolerance. Generally, Clients seeking capital preservation with limited risk will be managed with passive strategies using fixed income products (e.g. bonds), REIT's, and index funds, whereas Clients seeking growth with greater risk will be managed with active strategies using stocks, mutual funds, ETFs, and stock options. Risks associated with passive strategies include potentially lower returns, while products with greater risk may suffer volatility and potential loss.

The ***Strategic Investing*** management style employed by FFA may entail additional risk due to a greater frequency in transactions for active strategies, which may involve additional brokerage fees, transaction costs, and taxes. Also, active strategies that use options may entail additional risk as losses may exceed those seen in the underlying stock. Options may also be used to hedge risk, or, in the case of covered call writing, they can be used as a conservative strategy to generate income.

DISCIPLINARY INFORMATION

Except as disclosed below, during the past 10 years neither the Advisor nor any of its management persons have been involved in any criminal or civil actions, administrative proceedings before any federal, state, or foreign financial regulatory agency(s), or self-regulatory organization (SRO) proceedings involving any investments or investment-related business or fraud. Clients and prospective Clients can always view the CRD records (registration records) for FFA or any of its IA Reps through the SEC's Investment Adviser Public Disclosure (IARD) website at www.adviserinfo.sec.gov or through FINRA's BrokerCheck data base online at www.finra.org/brokercheck if the IA Rep is also a broker-dealer agent. The CRD number for FFA is 118184, the CRD number for Mr. Cutler is 1493621, the CRD number for Mr. Winder is 868353, and the CRD number of Mr. Maxfield is 6981150. Information of disciplinary information of Mr. Cutler is disclosed in his *BROCHURE SUPPLEMENT* document under the heading ***Disciplinary Information***.

On February 6, 2020, FFA received a letter of caution from the Utah Securities Division in regard to issues raised during the Division's routine field audit conducted in September 2019. The letter addresses issues related to supervision, cybersecurity, performance reporting, destruction of old records, disclosure in FFA's Form ADV, fees, and customer data and privacy. It also addresses alleged violations in connection with the issuance of promissory notes by Vista Financial Services LLC, an affiliated entity owned and controlled by Cutler. Management believes it has addressed, or is in the process of addressing, each of the issues raised in the letter. For a period of three years Cutler and FFA have agreed to heightened supervision by the Division, which requires the appointment of a designated official to ensure compliance with the heightened supervision remedial requirements. It also requires FFA to forward any oral or written customer complaints to the Division within 10 business days of receipt. It further prohibits Cutler, FFA, or any other associated or affiliated entity or agent from taking custody or possession of client funds or acting as an issuer of any securities offering.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

FFA is affiliated with Vista Financial Services LLC (VFS), a full-service tax and accounting firm that has management and ownership in common with FFA through Alan G. Cutler. FFA requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, FFA requires IA Reps to disclose that Clients may obtain similar services from others not affiliated with FFA.

FFA is also affiliated with Hometown Properties, a real estate brokerage that acts as a DBA for Cutler. While FFA does not participate in VFS or Hometown Properties revenues, FFA does receive referrals from time to time and benefits from the relationships by referring business to

these entities or parties; hence, there may be potential for conflicts of interest. FFA requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, FFA requires IA Reps to disclose that Clients may obtain similar services from others not affiliated with FFA.

FFA is affiliated with Maxfield Law, LLC, through Paul Maxfield, who is our chief compliance officer and the owner and manager of Maxfield Law, LLC. Maxfield uses Maxfield Law to prepare estate plans for his legal clients. FFA may refer clients over to Maxfield Law for the preparation of their estate plans. While FFA receives no compensation for these referrals, this creates a potential conflict of interest, as Maxfield could financially benefit from any referrals sent to Maxfield Law. FFA requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, FFA requires IA Reps to disclose that Clients may obtain similar services from others not affiliated with FFA.

No commissions or other compensation is paid by FFA to any affiliated companies either directly or indirectly for referrals.

Except as provided above, neither FFA nor any of its management persons has any relationship or arrangements with any of the following: a broker-dealer, municipal securities dealer, or government securities dealer or broker; an investment company or other pooled investment vehicle (e.g. mutual fund, private fund, etc.); another investment adviser or financial planner; a futures commission merchant, commodity pool operator, or commodity trading advisor; a banking or thrift institution; an accountant or accounting firm; a lawyer or law firm; an insurance company or agency; a pension consultant; a real estate broker or dealer; or a sponsor or syndicator of limited partnerships.

FFA does not recommend or select other investment advisers for its Clients. Any compensation for such recommendations or selections would create a material conflict of interest and FFA would be required to disclose to the Client whether or not FFA had any other business relations with those recommended or selected advisers and whether we believed that would create a conflict of interest. Before entering into such arrangement, we would also be required under our policies and procedures to describe the arrangement with Maxfield as Chief Compliance Officer (the CCO), Robert Winder, our Chief Investment Officer, and, if deemed necessary, legal counsel, all of whom would advise whether the conflicts would be sufficient to prohibit such transaction.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

FFA has a Code of Ethics that promotes the fiduciary duty of FFA and its IA Reps. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its Clients and established policies and procedures to ensure that FFA and its IA Reps place the interests of the Clients first. The Code of Ethics requires that FFA and its IA Reps adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires FFA and its IA Reps follow industry “best practices” involving confidential information, suitability of investments, personal trading on the part of FFA and its IA Reps, outside business activities of IA Reps, and the disclosure of conflicts of interest. Clients may obtain a copy of the FFA Code of Ethics upon request.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

While FFA has no proprietary interest in Client transactions, its IA Reps may have a financial interest in providing tax preparation and accounting services, or transactions that involve the purchase or sale of real estate, as previously explained in **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**.

IA Reps of FFA may have an interest in Client transactions insofar as they may personally invest in the same securities recommended to Advisory Clients. These transactions involve a conflict of interest as FFA or IA Reps may benefit from an increase in price from subsequent purchases by Advisory Clients. To address this conflict of interest, as well as other potential issues, FFA’s Code of Ethics prohibits the following activities:

- (1) trading on material inside information;
- (2) front running (supervised persons making trades ahead of a Client’s trade designed to give a price advantage to the supervised person);
- (3) disclosing any Client information to anybody outside FFA who has not been specifically authorized by the Client to receive such information; or
- (4) disclosing any proprietary or confidential FFA information to anybody outside the firm without prior authorization from the CCO.

In order to enforce this Code of Ethics, FFA requires the following:

- (1) Holdings and Transactions – Persons deemed to be “access persons” are required to submit a complete report of their securities holdings and trading activity to the CCO at least once a year and whenever so requested by the CCO, generally at least once each quarter.

- (2) Reportable Securities – Access persons are required to submit holdings and transaction reports for reportable securities in which the access person has, or acquires, any direct or indirect beneficial ownership. This includes securities held by his or her immediate family members who share the access person’s household.
- (3) Initial Public Offerings – Access persons must obtain the prior approval of the CCO before investing in an IPO or private placement.

Additionally, IA Reps of FFA may have an interest in Client transactions insofar as they may personally invest in the same securities recommended to FFA Clients. These transactions involve a conflict of interest as FFA or IA Reps may benefit from an increase in price from subsequent purchases by FFA’s Clients. To address this conflict of interest, FFA and its IA Reps will adhere to the following procedures regarding their personal trading:

- (1) Client purchase transactions will be placed ahead of those for FFA, its IA Reps, and its management, where practical;
- (2) FFA and its IA Reps will generally recommend investments that are widely traded; and
- (3) Neither Advisory Clients nor IA Reps will have enough funds invested in any given security to move the market in that particular security.

BROKERAGE PRACTICES

PROTOCOL FOR BROKER RECRUITING

It is common practice for Investment Advisors to change firms from time to time as they pursue their own best interests as well as those of their clients. In order to avoid conflicts and protect the privacy of client information, the brokerage industry has adopted a set of standards referred to as *Protocol for Broker Recruiting* (the Broker Protocol). FFA is a party to the Broker Protocol. In essence, the Broker Protocol permits the registered representative leaving the firm to take along only the following five pieces of client information: (i) names; (ii) addresses; (iii) telephone numbers; (iv) email addresses; and (v) account titles of clients they serviced at the former firm. Additional information, from copies of account statements and account numbers, to any portion of client files, or other client data, is beyond the scope of the Broker Protocol agreement and taking such additional information may open the exiting party to Reg S-P violations for privacy breach, breach of employment contract, or other litigation. Furthermore, the Broker Protocol requires that the registered representative provide a list to the departing firm of all account numbers associated with those client accounts, so the firm can affirm which accounts are protected by the agreement.

After switching firms, the Broker Protocol permits the broker to use the transferred client contact information to request clients sign an authorization to release account-specific information to the broker at the new firm, in order to facilitate the subsequent transfer of accounts – if the clients decide that they wish to transfer their accounts, of course.

PREFERRED CUSTODIAN

FFA will recommend Interactive Brokers to all Advisory Clients using FFA's *Managed Account* or *ETF/Mutual Fund Managed Account Services*. FFA recommends Interactive Brokers primarily for its superior trade execution, excellent account reporting, and FFA's familiarity with Interactive Broker's trading platform. Clients have no obligation to use Interactive Brokers for their broker-dealer and custodian, but if Client seeks to have FFA manage their accounts on a discretionary basis, the Client's chosen broker-dealer or retirement plan custodian must allow FFA to have trading authority over the account.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

While not a factor in FFA's recommendation of Interactive Brokers as custodian, Interactive Brokers does offer proprietary research tools and publications created by Interactive Brokers to their account holders. FFA will have access to these research tools and publications, which may be considered "soft dollar benefits" and constitute a conflict of interest. As FFA and its IA Reps have accounts at Interactive Brokers, the benefit of the research tools and publications are already available to FFA regardless of the Client's decision to invest with FFA or use Interactive Brokers. FFA will use Interactive Brokers' research tools and publications to service all Advisory Clients regardless of the broker-dealer/custodian they choose to use, but Clients who invest using Interactive Brokers will also have their own access to the research tools and publications as Interactive Brokers account holders. Clients have no obligation to use Interactive Brokers for their broker-dealer and custodian.

Clients should understand the potential conflicts of interest involved with these "soft dollar benefits," whether with Interactive Brokers or any future recommended broker-dealer. When FFA uses Client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, products, or services. FFA may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the Client's interest in receiving favorable execution. FFA may cause Clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. FFA has no policy or procedure for allocating soft dollar benefits to Client accounts.

FFA does not expect to receive Client referrals from Interactive Brokers or any other broker-dealer. Any such referrals may be viewed as providing an incentive to FFA to select or recommend a broker-dealer based on its interest in receiving Client referrals rather than on the Client's interest in receiving favorable execution.

DIRECTED BROKERAGE AND AGGREGATED ORDERS

FFA will rely on Interactive Brokers (or the broker-dealer selected by the Client) for the execution of transactions and will not direct trades to specific brokers. As such, Clients may not receive the lowest price possible if they were to have their trades directed to specific brokers. However, FFA

uses the services of Interactive Brokers because of perceived superior trade execution for stock and option trades.

While FFA may make the same recommendations for similarly-situated Clients, it may occasionally aggregate Client's orders in order to receive a uniform price execution for Clients. Since FFA does not receive any commissions on such sales, there is no cost advantage to FFA in aggregating orders.

Clients may at any time direct brokerage to another broker-dealer. If Clients exercise their right to direct brokerage to another firm, FFA may not achieve the most favorable execution for Client transactions which may cost Clients more money.

REVIEW OF ACCOUNTS

For Portfolio Management Clients, IARs overseen by the CIO at FFA review all Clients' account holdings at least weekly, but FFA also reviews individual Client accounts on a quarterly basis in conjunction with calculating their management fees. Generally, FFA does not review Client accounts other than periodically, and these reviews are normally without Client participation. Portfolio Management Clients are encouraged to meet with FFA at least once per year to review their account as a whole, ensuring that the management aligns with their current financial condition, goals, and objectives.

FFA provides its Clients with written quarterly YTD performance reports showing beginning and ending values. In addition, Clients receive monthly statements from Interactive Brokers with transactional information for their accounts.

CLIENT REFERRALS AND OTHER COMPENSATION

FFA does not compensate other financial professionals (e.g. accountants, tax preparers) to refer their Clients to FFA for investment advisory services. Other than "soft dollar benefits" disclosed under *BROKERAGE PRACTICES*, FFA does not receive benefits from third parties for providing investment advice or other advisory services. Except for fees generated for tax and accounting services provided for Clients by VFS, or real estate fees generated from Clients by Hometown Properties, FFA prohibits its IA Reps from receiving any economic benefits or compensation, whether directly or indirectly, from third parties such as insurance companies, real estate brokers, or others for actions relating to the providing of advice or other advisory services.

CUSTODY

Clients will engage an independent broker-dealer and custodian to maintain their accounts and so FFA will not have *physical* custody of Clients' assets, monies, or securities. However, since FFA may withdraw advisory fees directly from Clients' accounts (as described under FEES AND COMPENSATION on page 5 herein), FFA is considered to have custody in a limited capacity. Again, this custody is due solely to the direct withdrawal of fees and does not entail the same legal and regulatory requirements as an investment adviser with physical custody of Clients' assets, monies, or securities.

Clients will receive account statements from Interactive Brokers or other broker-dealer or custodian selected by them to maintain their accounts. They will likewise receive statements from FFA. Clients are urged to compare the statements from Interactive Brokers (or other applicable broker-dealer/custodian) with those from FFA.

Per CCR 260.237(b)(3), California Clients will receive invoices/statements. FFA intends to use the safeguards provided in CCR 260.237(b)(3).

INVESTMENT DISCRETION

As described in the ADVISORY BUSINESS section of this **FIRM BROCHURE**, FFA will have investment discretion for those Advisory Clients that elect *Discretionary Portfolio Management Services*. Clients will select this option specifically in FFA's *Investment Advisory Agreement* and will sign a trading authorization form with their broker-dealer/custodian. When Advisory Clients grant discretionary authority to FFA, Clients may still place restrictions on the advisor, such as prohibition on investing in specific securities, industries, or markets that the Client chooses. Additionally, unless specifically instructed otherwise by the Client, FFA seeks to maintain diversified investment portfolios for its Portfolio Management Clients and will generally not concentrate more than 15% of a Client's investable assets into any one ETF or non-diversified product (e.g. stock, bond, options contract).

VOTING CLIENT SECURITIES

For any security that entails a voting right in the underlying company, FFA will not have or accept authority to vote Client securities. All voting issues, proxies, and solicitations will be provided to Advisory Clients through the Client's broker-dealer/custodian or the issuer's transfer agent. FFA may help explain or answer questions regarding a given voting issue but does not provide advice on class action lawsuits and bankruptcies related to any of their investments.

FINANCIAL INFORMATION

FFA would be required to disclose additional financial information if it were to charge fees more than six months in advance, but as described in the *FEES AND COMPENSATION* section of this FIRM BROCHURE, FFA charges all advisory fees in arrears. In any case, FFA, its management and IA Reps have no material financial information or other impairments, including bankruptcies, in their backgrounds. In addition, FFA has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

FFA has two principal executive officers and management persons: Alan G. Cutler and Robert Winder. Their formal education and business background information is given in the *Educational and Business Experience* section on the attached *BROCHURE SUPPLEMENT* document. In 2000, Cutler was involved with a regulatory action undertaken by the NYSE that was ultimately resolved in 2002. Disclosure of this regulatory action is included in the *BROCHURE SUPPLEMENT* under the heading *Disciplinary Information*.

Under the *FEES AND COMPENSATION* section of this **FIRM BROCHURE**, the subsection titled ***Other Compensation*** explains that IA Reps of FFA may also provide tax preparation or accounting services under Vista Financial Services or Cutler may act as a real estate agent under Hometown Properties and may receive compensation for such services. This activity and the conflicts of interest associated with it are discussed at greater length in the ***Other Compensation*** subsection under *FEES AND COMPENSATION* beginning on page 5 of this **FIRM BROCHURE**.

FFA would be required to disclose additional information if it (1) were to charge performance-based fees; (2) had any other relationship or arrangement with any issuer of securities; (3) or was ever found currently liable in either (a) an arbitration, or (b) a civil, self-regulatory organization, or administrative proceeding. As none of these apply to FFA, its management persons, or IA Reps, FFA has no information to disclose in these regards. FFA has reasonably disclosed herein all material conflicts of interest that it can reasonably discern at this time.