

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

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June 21, 2011

This brochure provides information about the qualifications and business practices of Stephen L. Gray dba Financial Planning Services. If you have any questions about the contents of this brochure, please contact Mr. Gray at 281-363-1680. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Please note that registration as an investment advisor does not imply a certain level of skill or training.

Additional information about this firm is available on the SEC's website at www.advisorinfo.sec.gov.

Item 2 Material Changes

There is one material change in this brochure from the last annual update which was December 31, 2009. The firm's address has changed to

2002 Timberloch Place, Ste. 200
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Stephen L. Gray is the owner of Financial Planning Services ("the firm") -- an independent investment advisory firm that has been doing business in Montgomery County, Texas since 1988. Mr. Gray is a CPA, Certified Financial Planner, and Registered Investment Advisor. His firm currently has \$38 million in assets under management, and is registered with the SEC. The firm is in the process of moving from SEC registration to state registration pursuant to requirements of the Dodd Frank legislation enacted in 2010.

Services offered include all aspects of the financial planning process:

- Portfolio evaluation
- Asset allocation recommendations
- Specific asset recommendations
- Retirement planning
- Planning for higher education funding
- Life insurance planning
- Estate planning

The type of investments generally recommended include:

- Individual equities
- Individual fixed income securities
- No-load mutual funds
- ETF's

Advisory services are tailored to meet the needs of each individual client -- after carefully discussing their goals, timeframe, and risk tolerance. Also, clients may impose restrictions -- such as not allowing investments in some securities or industries (i.e. Tobacco, Alcohol).

As of the date of this brochure, the firm was managing \$38 million in assets on a discretionary basis.

Item 5 Fees and Compensation

Investment advisory fees charged by the firm are based on a percentage of assets under management. The fee structure is as follows:

- Under \$100,000 -- 1%
- \$100,000-\$500,000 -- .75%
- \$500,000-\$1,000,000 -- .60%
- over \$1,000,000 -- .50%

These are annualized percentages, with 1/12 of the annual fee charged monthly directly to the client's account. All of a clients accounts are aggregated for purposes of calculating the fee, with one account designated to be charged. This fee structure is negotiable.

Other fees charged to client accounts include:

- \$9.99 for each equity transaction
- A \$24 fee to buy and sell certain no-load mutual funds

There are no fees or commissions paid to the firm or any individuals based on buying or selling any investments.

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

The firm does not charge any performance based fees.

Item 7 Types of *Clients*

The firm provides its services to individuals only, and there are no minimum requirements to open an account,

In formulating investment advice and strategies, the firm uses fundamental analysis. Main sources of information include:

- Financial newspapers and magazines
- Research materials prepared by others
- Annual Reports
- Press releases and conference calls

The fundamental analysis is used to identify the attractiveness of individual securities based on review of:

- Price/ earnings ratios
- Dividend Yields
- Strength of balance sheet
- Debt Level
- Free cash flow
- Financial ratios

The firm employs a long-term approach to investing as opposed to frequent trading.

Despite the research and long term fundamental approach the firm employees, there are risks to such a strategy:

- misinterpretation of data
- inaccurate data
- change in industry / market conditions
- surprise competition

Despite the level of analysis employed by the firm, investing in securities involves risk of loss that *clients* should be prepared to bear.

In addition to the risk addressed above that are associated with the "Fundamental Analysis" approach employed by the firm, there are other significant risks:

- Company specific risk involves any unexpected change in the future prospects for a specific company -- such as a decline in demand or viability of its products and/ or services.
- Industry specific risk involves the decline in the overall prospects for an entire industry. For example, a cut-back in government defense spending could be expected to affect almost every company in the aerospace/ defense industry group
- Overall market risk would entail a drop in the overall equity markets. As the stock, bond and other markets fluctuate, so too will the instruments within them.
- Liquidity risk tends to compound other risks and can be most damaging for institutions that are experiencing financial difficulties, creating a need for immediate cash. *Specific liquidity risk* means that a particular institution may lose liquidity, especially if its credit rating falls or something else halts or inhibits trading. *Systematic liquidity risk* affects all participants when an entire market loses liquidity. Financial markets tend to lose liquidity during periods of crisis or high volatility
- Inflation risk means that the increasing cost of living can quietly erode an investment's returns. Secure investments, such as US Treasury bills and CDs incur substantial exposure to this kind of risk. They usually have lower returns and yields that, over time, may not outpace or even keep pace with inflation and taxes.
- Currency risk is the gain or loss on international stock or bond investments vis-a-vis the US dollar. If an investor holds European stocks, for example, and the Euro is weak relative the US Dollar, the overall returns will be lower.

It should be noted that the overall impact of each of these risks, either individually or collectively, can at times severely affect investment performance.

Item 9. Disciplinary Information

The firm has no legal or disciplinary events outstanding.

Item 10 Other Financial Industry Activities and Affiliations

The firm's owner, Stephen L. Gray, is also a CPA, and provides tax services to the majority of his investment clients -- as well as other clients. Approximately 20% of the firm's total revenue is from tax services.

The firm's Code of Ethics was adopted pursuant to SEC rule 204A-1. It will provide a copy to any client or prospective client upon request.

The code addresses the following areas:

- Standards of conduct
- Protection of material nonpublic information
- Personal conduct

Stephen L. Gray and related persons do invest in many of the same individual securities and mutual funds that are recommended to clients. Mr. Gray does not consider this a conflict of interest. Most investments are in large, liquid companies with a large float -- so any buying or selling of a security in any client account would ***not*** be expected to significantly influence price movement.

Also, in the course of making any decisions on the timing of buying or selling any security, if Mr. Gray decides to take action, then all client transactions are completed before taking any action in Mr. Gray's accounts.

The firm has selected TD Ameritrade to act as custodian and broker-dealer for all client transactions. Factors entering into this decision include:

- low fees and good execution
- largest selection of no-load mutual funds
- customer service
- research
- platform

Orders are aggregated under certain conditions and if there is an opportunity do so. It's done primarily if a decision is made to sell a security in all accounts holding a position. This results in more efficient trading and execution.

The firm receives no compensation from TD Ameritrade in return for directing client assets to their company.

All investments, including individual stocks and mutual funds, are under constant review by the firm. Any decision to buy or sell any security would result in action being taken for all accounts impacted by the decision. In this regard, for all practical purposes, all accounts as well are under constant review.

Semi-annual portfolio reports are mailed to all clients. These reports include:

- An update of the client's asset allocation
- The portfolio's performance vs. the benchmark market averages
- The performance of the individual investments

Item 14 *Client Referrals and Other Compensation*

The Firm receives no compensation for referral of clients, nor does the Firm have any referral compensation arrangements in place with any person or parties.

Item 15 *Custody*

The firm does not have custody of any client assets. TD Ameritrade sends out monthly statements and confirmations to all clients.

The firm has discretionary authority over client assets relating to the following acts:

- entering trades
- charging investment advisory fees to the account
- receiving confirmations

When opening an account, all clients grant this authority by executing a Limited Power of Attorney. The firm has no authority to direct disbursement of funds unless specifically granted by the client.

Item 17 Voting *Client* Securities

The firm does not accept responsibility for vote client securities.

Item 18 Financial Information

The firm does not receive any prepaid fees, and is thus exempt from disclosing financial information in this section.

Stephen L. Gray, Owner, DOB 1954

The University of Texas at Austin, Bachelor of Business Administration

CPA, CFP, RIA

20 years of business experience before opening the firm in 1988

The requirements for completing the Certified Public Accountant (CPA) designation include:

- Completing a four-part exam administered by the State of Texas which includes exams on Business Law, Accounting Practice, Auditing, Theory of Accounts
- Meeting the requisite experience requirements and other requirements of the Public Accountancy Act of 1945 as to citizenship, age, and good moral character.

The requirements for completing the Certified Financial Planner (CFP) designation include:

- Completing a five-part exam administered by the College for Financial Planning which includes exams on Investments, Tax Planning, Estate Planning, Insurance Planning, and Retirement Planning
- Meeting the requisite experience requirements set by the CFP Board

Mr. Gray and his Firm are also engaged in income tax preparation and planning in addition to providing investment advisory services. Approximately 15% of the Firm's time is devoted to these services. Mr. Gray does not believe that this work presents a conflict of interest -- in fact, he is of the opinion that it works to complement the investment advisory and financial planning services that he provides to all clients.

