



Warren Financial Service & Associates Inc.

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www.WarrenFinancial.net

SEC Required ADV Part 2

March 2011

Item 1: Cover Page

This brochure provides information about the qualifications and business practices of Warren Financial Service & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 610-363-2000 or rawarren@comcast.net. 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.

Additional information about Warren Financial also is available on the SEC's website at www.adviserinfo.sec.gov. Warren Financial is a Registered Investment Advisory firm, registration in and of itself, does not imply a certain level of skill or training.

Item 2: Material Changes to this Brochure from Last Year:

Warren Financial has added additional investment opportunities and made those opportunities available to our clients. Based on current SEC regulations and changes created by the Dodd Frank law, these new investment opportunities are available only to "accredited" investors as defined by that law. The goal of these new investment pools was to provide for our clients access to sophisticated investment strategies which are not available elsewhere.

After the 2008 financial meltdown, Warren Financial searched long and hard for a strategy or strategies that would help to protect our client assets in the face of such market declines. Through our efforts to find such a strategy we concluded that the best strategy did not yet exist. At that point, we undertook to create such a strategy. As a result, we found that for many reasons, it is best to deploy such a strategy as an investment pool, or hedge strategy. The Big Dividend strategy exists today as a result of these efforts and we believe it provides a measure of safety in conjunction with traditional long equity strategies. Warren Financial considers this a low risk, or "less than stock market" risk strategy.

In addition, Warren Financial undertook the WFS Angels strategy of investing in start-up corporations with significant new ideas and great potential for market shifting products and services. The goal of this strategy is to open up investment opportunities to our clients which otherwise are unavailable in the marketplace. Once again, due to the regulatory environment in which we operate, this opportunity is available only for "accredited" investors. Warren Financial considers this a high risk, or "more than stock market" risk strategy.

One goal of this disclosure document is to highlight potential conflicts of interest. Warren Financial does not believe that the above mentioned new strategies create any new conflicts of interest for Warren Financial. The new strategies do require some of our time and effort, but we believe the benefits to our clients far outweigh the additional costs in time and effort.



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Item 4: Advisory Business

Warren Financial was founded by Clarence Warren who began by helping pastors and missionaries of the Presbyterian Church in America with their pension issues as early as 1965. His initial efforts began as a no-cost ministry on a volunteer basis. Mr. Warren did not begin charging for services until approximately the 1980's. In 1999, Mr. Warren incorporated the business in the state of PA in today's official name, Warren Financial Service & Associates, Inc.

Today Warren Financial is majority owned and fully operated by Randall Warren who joined Warren Financial in 2000.

Warren Financial provides investment management supervisory services. Warren Financial provides financial advice to our clients as part of our oversight of their investment assets. Warren Financial has no clients who simply pay directly for advice on an hourly basis, although we don't preclude the possibility that such a client may exist in the future, even though we don't seek such clients. Warren Financial provides advice to our clients that covers many areas of their lives including retirement analysis, estate planning, asset management, tax planning, philanthropy, and other financial issues. Warren Financial manages client portfolios on a discretionary basis.

Warren Financial specializes in asset management and primarily uses a technique known as Tactical Asset Allocation. Tactical Asset Allocation involves considering market indicators to guide the relative aggressiveness of our client's investment portfolios. When our time tested indicators are positive we invest our client assets up to the maximum risk level that each individual client has chosen. When our indicators are negative, we may invest our client portfolios more conservatively than the maximum risk level that each individual client has chosen. This is not a rebalancing program. This involves analysis of markets and involves actively trading our portfolios to take advantage of market movements and expected market movements. This is also not day-trading. Warren Financial believes statistics that show there is no advantage in trading a portfolio every day. Tactical Asset Allocation does involve trading often enough to go along with major market trends. These trends usually shift in cycles of years, not months and days as believed by day-traders. Our advice is not limited to Tactical Asset Allocation.

Warren Financial tailors our advisory services to the individual needs of each client. Clients may impose restrictions on types of trading or on specific assets. We generally encourage clients not to impose restrictions on particular assets traded.

As of Dec 31, 2010, Warren Financial had \$51,044,000 in client assets under management. \$49,291,000 under discretionary management and \$1,753,000 in non-discretionary management.

Item 5: Fees and Compensation

Warren Financial is paid by clients on the basis of assets under management. Our standard fee schedule is two (2) percent of assets under management annually for the first one-million of assets and zero point



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six (0.6) percent of assets under management annually for every dollar over the first one-million of assets. Fees are negotiable. Fees are deducted directly from the client's accounts on a quarterly basis prior to each quarter year. Warren Financial has no clients that prefer to be billed directly instead of having the fee deducted from their investment account, however, we do not preclude the possibility that such a client may exist in the future. Clients may incur other fees as a part of asset management. For example, many of our clients have accounts in custody with Fidelity Investments who charges the client \$12.95 per stock trade for clients with less than \$1m in assets at Fidelity and \$7.99 per stock trade for clients with more than \$1m in assets at Fidelity. Fidelity has its own policies and procedures which we can not fully include here, so those amounts and per-trade fees are included for example purposes only and will not be updated every time Fidelity changes their policies. In addition, if Warren Financial chooses to invest some of our client assets into a mutual fund or Exchange Traded Fund, those products charge fees which are generally taken out of the Net Asset Value and not billed directly to the client. Depending on the types of accounts that clients have, there may be other small fees such as custodial fees, but this is not a result of Warren Financial but rather if a client comes to us with an existing annuity to be managed. Pre-paid fees may be refunded on a pro-rated basis if the advisory contract is terminated before the end of the bill period.

Warren Financial does not get compensated or paid any commissions for investing in any particular funds, ETFs, or other assets. We do not believe it is possible to remain fully independent and operate in the best interests of our clients if we accepted commissions from mutual funds, annuities, ETFs, etc. While we recognize that this may be unusual, we firmly believe that the client is the beneficiary of this policy because we are able to remain wholly unbiased and select only assets that we believe give the client the best chance for investment gains. Warren Financial attempts to minimize costs which benefits the client, as such, if we invest in a mutual fund, we typically invest assets in no-load mutual fund unless we can not find a no-load substitute. We also generally minimize fees by investing in the cheapest funds, ETFs, etc, however, this is tempered by considering the overall return on investment achieved by a given investment. Warren Financial keeps the overall goal of increasing client assets as superior to minimizing costs.

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

Warren Financial does manage several pooled investment vehicles which may pay Warren Financial fees for assets under management as well as performance based fees. This type arrangement is only available to accredited investors according to SEC rules. These investment vehicles are typically in a separate pool or fund of money. The idea that a performance fee may be paid could present a conflict for Warren Financial considering that we might have an incentive to pay more attention to these assets compared to investor accounts that do not pay performance fees. We avoid this conflict by keeping all our return on investment spreadsheets up to date for all our investors regularly. Also, Warren Financial is generally not the catalyst behind the paying of performance based fees, those fees are generally preferred by accredited investors in hedge funds or pooled accounts.



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Item 7: Types of Clients

Warren Financial provides investment management and advice to individual investors, high net worth investors, family offices, small and medium sized corporations, pension funds, trusts, endowments, investment companies, and other similar entities. Warren Financial does not have any hard and fast minimum account size, however, we reserve the right to provide services to whomever we choose to do business.

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

Warren Financial employs a “top-down” as well as a fundamental “bottoms-up” approach to investment analysis. We utilize fundamental analysis as well as technical analysis. We utilize market indicators which help to disclose market trends in the short, medium, and long run. Warren Financial chooses investments based on our own research and not based wholly on the opinion of any other person or analyst firms, although we may use, or purchase information from such people or firms.

Warren Financial gets daily information from the Wall Street Journal, CNBC, Bloomberg and many other media outlets. We avail ourselves of timing services, annual reports of corporations, corporate quarterly conference calls, Securities and Exchange filings, company press releases, etc.

No matter the source of information, and no matter the depth of analysis, investing is inherently an effort to predict future prices of various assets which involves uncertainties including the risk of loss that investors must be able to bear.

Warren Financial employs investment strategies including going long or short individual stocks, ETFs, indexes, bonds, futures, options, etc.

Investing in individual stock and bonds involves many types of risk including but not limited to, company risks (accounting risks, management risks, cash flow and dividend risks, economic risks, etc.), exchange risks, potential foreign currency risks. Investing in mutual funds can help to reduce company specific risks, but can not alleviate market risk, or the risk that investors will flee an entire asset class, such as occurred when investors fled from stocks and bonds in 2008.

Short selling stocks or options also has unique risks in predicting and potentially profiting from the decline in the value of the stocks or options. When owning a short position, the risk includes the risk of possibility holding the position while the asset increases in value until the short position becomes worthless. Similarly owning long a stock or option position can also include holding the position until it becomes worthless. Naturally, this is never the goal and always to-be-avoided if possible, but the risks remain never-the-less.

Investing in options include additional risks. Options typically have a time-decay aspect such that the investor puts up only a fraction of the capital necessary to hold the position of the underlying asset, but



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the option expires at some point in the future. Option risks include the delta (change in the option relative to the underlying), gamma (magnitude of direction of the change of the option relative to the underlying), rho (interest rate risk), theta (time decay risk), and other risks which are attempted to be managed for the client by Warren Financial.

Warren Financial does not buy/sell options for clients unless the client has specifically requested such services. Most of our individual clients do not want this type of asset management. However, the pooled investment vehicles routinely deal in options.

Item 9: Disciplinary Information

Warren Financial has not been involved in any material disciplinary actions either from a domestic or foreign court or from the SEC or any other federal regulatory agency, or foreign regulatory authority, nor from a self-regulatory organization (SRO). In 2005, the State of Delaware Securities and Exchange Commission ordered Clarence Warren to pay a fine of \$3000 to close case 03-4-2 where a former client claimed that between 1995 and 1999 Clarence Warren used unauthorized margin in a brokerage account and bought inappropriate investments. Clarence Warren provided the State of Delaware with forms signed by the client authorizing margin trading, signed forms authorizing Clarence Warren for discretionary authority for all trades, and also demonstrated to the State of Delaware using client paper statements that the client received a 22% annualized return on investment during those years. Clarence Warren returned all fees charged to the client for those years as a condition of closing the case.

Item 10: Other Financial Industry Activities and Affiliations

Warren Financial is not a broker-dealer.

Warren Financial is not registered or have a pending application to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Warren Financial has a relationship with Fidelity Institutional Wealth Management. Fidelity acts as custodian such that Warren Financial can create accounts in our client's names and Warren Financial can conduct asset management in those accounts. Fidelity does not compensate Warren Financial or pay anything to Warren Financial. Fidelity does provide free of charge a software tool to Warren Financial that facilitates our trading activities in that it allows us to easily see all our client accounts in one application screen and drill down on any account for more details. Fidelity also provides information free of charge that investment advisors would typically be interested in, including regulatory information, market commentary, charting tools, etc. None of those items are of significant dollar value as to influence any investment decision that Warren Financial would make for a client.

Warren Financial has relationships with several entities who have entered into our Referral Program where the entity can refer our services to prospective clients such that if the prospect becomes a client,



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the entity will get paid a referral bonus in accordance with SEC rules on the matter. This type of arrangement also applies to the pooled investment vehicles managed by Warren Financial. No conflicts.

Warren Financial has a relationship with Pepper Hamilton law firm. Warren Financial has retained their services to assist in compliance of Warren Financial and compliance of our pooled investment vehicles. No conflicts.

Warren Financial has a relationship with Grant Thornton accounting firm. Warren Financial has retained Grant Thornton to assist in auditing our investment pooled vehicles. No conflicts.

Warren Financial has a relationship with Cortland Fund Administrators. Warren Financial has retained Cortland to assist in record keeping for our investment pooled vehicles. No conflicts.

Warren Financial has a relationship with Concept Capital Management. Warren Financial has retained Concept as an introducing broker setting up our relationship with Goldman Sachs as Prime broker for our investment pooled vehicles. No conflicts.

Warren Financial has a relationship with Goldman Sachs as prime broker for our investment pooled vehicles, no conflicts.

Warren Financial does not recommend any other advisor or receive a fee for any such recommendation.

Item 11: Code of Ethics

As per SEC rule 204A-1 under the Advisers Act, as a registered investment advisor Warren Financial has adopted a Code of Ethics. The adopted code of ethics has two parts, The Standards, and The Rules. The Standards define the ethical and professional conduct to which each employee of WFS must adhere while carrying out their business activities. The Rules are derived from the Standards and establish requirements for professional behavior. Some rules are derived directly from requirements from the SEC rules, such as the rule requiring personnel to report their personal securities holdings and transactions.

The Standards and The Rules in the Warren Financial Code of Ethics cover the areas of Competence, Honesty, Trustworthiness, Fairness, and Professionalism.

The Warren Financial Code of Ethics is available to any client or prospective client upon request.

Warren Financial acts as General Partner to several partnerships in which Warren Financial may solicit client investments. There is no conflict in that Warren Financial does not derive any financial remuneration from the client's decision to enter into the partnership. Once in the partnership, all financial arrangements are fully disclosed to the investor, such as if there is any performance fee.

On occasion, Warren Financial may buy or sell securities that are also recommended to clients. There is no conflict of interest as the securities are widely held and publically traded. Warren Financial has a



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policy that it will never buy or sell securities for any advisor's personal account where the decision to buy/sell is substantially derived, in whole or in part, by knowledge of a future action by Warren Financial.

Item 12: Brokerage Practices

Warren Financial does recommend brokers to clients although clients are free to select their own broker. Warren Financial typically recommends Fidelity Investments as custodian and broker for client accounts because Fidelity's costs are very low compared to industry standards and Fidelity has fast and assured execution of trades at the best possible prices. Within the pooled investment vehicles that Warren Financial acts as investment manager and General Partner, we have chosen Concept Capital/Goldman Sachs as broker due to their access to CBOE markets as well as stock exchanges, low pricing, and assured rapid execution of orders at the best price. Goldman provides access to dark pools of liquidity that prevent outsiders from seeing our trade orders or high frequency trading in front of our orders.

Warren Financial receives software from Fidelity and from Goldman that we use for trading which costs Warren Financial nothing, but facilitates the trading. Warren Financial also receives some market commentary and regulatory information from these sources that we regard as superfluous. We believe these services are beneficial to our clients and in no way influence our decisions. Warren Financial does not receive mark-ups or mark-downs on brokerage commissions to pay for investment research.

Warren Financial has never received a client referral from any broker, but is eligible for such referrals due to the relatively high assets under our management. This could create a conflict of interest if we were regularly receiving significant benefits from such a program, however, this is not the case. Warren Financial has chosen Fidelity and Concept/Goldman for the reasons already stated above and no other reasons. Any referrals we might get as a benefit of using one broker or another are strictly nice-to-have benefits and not something that is significant or can influence our choice of broker or investment programs.

From time to time we will review other alternatives to Fidelity and Concept/Goldman in regards to looking at best execution. Fidelity offers an annual report on best execution. In 2009, we talked with AmeriTrade and looked into Interactive Brokers as alternatives. AmeriTrade is unwilling to work with us unless we switch all accounts over, considering we know of no benefits to doing so we have no plan to move all accounts to AmeriTrade. IB looks interesting and we will keep on investigating.

Warren Financial does utilize block trading for client accounts. In the past Warren Financial has not done much in terms of block trades because Fidelity used to charge more for block trades than regular trades and the technology is such that we can easily proceed from client account to account entering the trades quickly into a "to-be-sent" trade order. Then we send them all at once. If we still use a to-be-sent trade grouping, we will make all reasonable efforts to ensure that the client trades are not entered



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into the trade order in the same order each time, such as not in alpha order. The goal is to vary which accounts get traded first so as to avoid any favoritism. Along with that goal, if we do enter into any block trading, we will attempt to ensure that trades are allocated without favoritism.

Item 13: Review of Accounts

The calendar is the triggering mechanism for reviewing client accounts. Typically accounts are reviewed every day or on a similarly reasonable and regular basis, such as five, ten, fifteen, or twenty times per month. The review is conducted by Warren Financial employees who are registered representatives of Warren Financial and have portfolio level supervisory responsibilities and who hold at least the title of Managing Director. Warren Financial records the percentage return on investment of all client accounts on a best efforts basis including accounting for all cash in-flows and out-flows accordingly. Warren Financial provides this information to clients routinely at client face-to-face meetings and may begin to provide this information to clients quarterly in the future as technology allows the process to be automated. Reports of this type presented to clients are net of all fees and costs and typically are provided as spreadsheet printouts.

Item 14: Client Referrals and Other Compensation

Warren Financial has written and signed contracts with a few entities or individuals who wish to recommend our services to their friends, colleagues, business partners or other entities. Each arrangement may be different in nature and compensation although our standard program calls for compensation of 30 cents on the dollar of all our first year management fee which results from the referral. All potential clients receive a Sales Person Disclosure form indicating the name of the sales person, the relationship between the applicant and the salesperson, the amount and type of the compensation, the terms of compensation, and that there is zero cost to the end client.

Item 15: Custody

Clients will receive account statements directly from Fidelity or from an investment pool account administrator. Having account statements come directly from the custodian or administrator is a protection for the client in that the score-keeper (custodian or administrator) is not also the trader or advisor. Warren Financial does not send out additional or alternate statements. Warren Financial does send out billing information which contains a high level of account information such as total account value, bill calculations and amounts, as well as possible return on investment information. We urge



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clients to compare our billing information and return information to their custodial statements for accuracy.

Warren Financial holds that it does not have custody of client funds or securities except as it relates to the deduction of the management fee. When Warren Financial acts as General Partner for a pooled investment vehicle, Warren Financial does have custody and as such has engaged Grant Thornton accounting partners to perform a full audit or a security count as required under SEC rules.

Item 16: Investment Discretion

Warren Financial has discretionary authority to trade in client accounts. Custodial account applications and/or pooled investment agreements include the client authorization of discretionary power.

Item 17: Voting Client Securities

Warren Financial has a policy that it will not vote proxies for clients, nor give clients advice on whether they should respond to class action lawsuits which come up from time to time on stocks they might have owned in the past. Warren Financial representatives will disclose to clients their own personal decision on proxies and class action lawsuits if requested, but advise the client to make their own choices.

Clients will receive proxies and other solicitations directly from the custodian.

Item 18: Financial Information

NA

Item 19: Requirements for State-Registered Advisers

NA