

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Kelly Financial Services. If you have any questions about the contents of this brochure, please contact us at: 781-849-3090, or by email at: [gregmurray@kellyfinancial.org](mailto:gregmurray@kellyfinancial.org) 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 Kelly Financial Services is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

October 31, 2011

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

As of the last filing of this brochure on June 24, 2011, Anja Wint is no longer an investment advisor representative of Kelly Financial Services.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 781-849-3090 or by email at: [gregmurray@kellyfinancial.org](mailto:gregmurray@kellyfinancial.org).

**Item 3: Table of Contents**  
**Form ADV – Part 2A – Firm Brochure**

**Item 1: Cover Page**

**Item 2: Material Changes ..... i**

Annual Update ..... i

Material Changes since the Last Update ..... i

Full Brochure Available ..... i

**Item 3: Table of Contents ..... 1**

**Item 4: Advisory Business ..... 4**

Firm Description..... 4

Types of Advisory Services..... 4

Client Tailored Services and Client Imposed Restrictions..... 5

Wrap Fee Programs..... 5

Client Assets under Management ..... 5

**Item 5: Fees and Compensation ..... 6**

Method of Compensation and Fee Schedule ..... 6

Client Payment of Fees..... 7

Additional Client Fees Charged ..... 7

Prepayment of Client Fees ..... 7

External Compensation for the Sale of Securities to Clients ..... 7

**Item 6: Performance-Based Fees..... 7**

Sharing of Capital Gains ..... 7

**Item 7: Types of Clients ..... 8**

Description ..... 8

Account Minimums..... 8

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

Methods of Analysis and Investment Strategies ..... 8

Investment Strategy and Method of Analysis Material Risks ..... 8

Security Specific Material Risks ..... 8

<b>Item 9: Disciplinary Information.....</b>	<b>9</b>
Criminal or Civil Actions .....	9
Administrative Enforcement Proceedings .....	9
Self Regulatory Organization Enforcement Proceedings .....	9
<b>Item 10: Other Financial Industry Activities and Affiliations .....</b>	<b>10</b>
Broker-Dealer or Representative Registration .....	10
Futures or Commodity Registration .....	10
Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	10
Recommendations or Selections of Other Investment Advisors and Conflicts of Interest.....	10
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>11</b>
Code of Ethics Description.....	11
Investment Recommendations Involving a Material Financial Interest and Conflict of Interest.....	11
Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest.....	11
Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest .....	11
<b>Item 12: Brokerage Practices .....</b>	<b>11</b>
Factors Used to Select Broker-Dealers for Client Transactions .....	11
Aggregating Securities Transactions for Client Accounts .....	12
<b>Item 13: Review of Accounts.....</b>	<b>13</b>
Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved .....	13
Review of Client Accounts on Non-Periodic Basis .....	13
Content of Client Provided Reports and Frequency .....	13
<b>Item 14: Client Referrals and Other Compensation.....</b>	<b>13</b>
Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	13
Advisory Firm Payments for Client Referrals .....	13
<b>Item 15: Custody .....</b>	<b>13</b>
Account Statements.....	13

<b>Item 16: Investment Discretion .....</b>	<b>14</b>
Discretionary Authority for Trading.....	14
<b>Item 17: Voting Client Securities.....</b>	<b>14</b>
Proxy Votes .....	14
<b>Item 18: Financial Information .....</b>	<b>15</b>
Balance Sheet .....	15
Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	15
Bankruptcy Petitions during the Past Ten Years.....	15
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>16</b>
Item 2 Education and Business Standards .....	16
William A. Kelly .....	16
Item 3 Disciplinary Information.....	16
Item 4 Other Business Activities .....	16
Item 5 Additional Compensation .....	16
Item 6 Supervision .....	17
Gregory Peter Murray .....	18
Item 3 Disciplinary Information.....	18
Item 4 Other Business Activities .....	18
Item 5 Additional Compensation .....	18
Item 6 Supervision .....	18
Christine Jeanne Tufts .....	19
Item 3 Disciplinary Information.....	19
Item 4 Other Business Activities .....	19
Item 5 Additional Compensation .....	19
Item 6 Supervision .....	19

## **Item 4: Advisory Business**

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### **Firm Description**

William Anthony Kelly, sole proprietor dba Kelly Financial Services ("KFS") was founded in 2004.

KFS provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

KFS is a fee based financial planning and investment management firm. The firm also sell annuities, and other insurance commissioned products.

Investment advice is provided, with the client making the final decision on investment selection. KFS does not act as a custodian of client assets. The client always maintains asset control.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, risk analysis or similar document. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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### **Types of Advisory Services**

KFS provides investment supervisory services, also known as asset management services and furnishes financial planning and investment advice through consultations.

On more than an occasional basis, KFS furnishes advice to clients on matters not involving securities, such as taxation issues and trust services that often include estate planning.

#### **ASSET MANAGEMENT**

Kelly Financial Services' principal service is providing investment advisory services based on the client's specific investment objectives, goals and financial situation. The advisor practices custom management of portfolios, on a discretionary basis, according to the client's objectives. The advisor will look at mutual funds, stocks, foreign issuers, municipal, government and corporate debt securities, real estate and oil & gas interests, and CD's when tailoring a financial plan. When appropriate to the needs of the client, Kelly Financial Services may recommend the use of trading

(securities sold within 30 days). Because this investment strategy involves a certain degree of risk, it will only be recommended when consistent with the client's stated tolerance for risk.

#### FINANCIAL PLANNING AND CONSULTING

If financial planning services are applicable, the client will compensate KFS on an hourly fee or negotiable fixed fee basis described in detail under "Fees and Compensation" section of this brochure. In a financial plan, the advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may employ several different strategies, including: long-term purchases, short-term purchases and short term trading. All of these strategies may be used at various times as a possible hedge against market movement which may adversely affect the client's portfolio.

The advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of the client or any risk deemed unacceptable for the client's risk tolerance.

Representatives of KFS may also provide general non-securities advice on topics including estate planning, retirement planning, and mortgage consulting. Fees are billed at an hourly rate, negotiated in advance and paid as services are rendered. This non-securities financial planning will not exceed 50% of the firm's billings.

#### THIRD PARTY MANAGERS

KFS may at times use the services of a third party money manager. This is described under Item 10 of this brochure

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#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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#### **Wrap Fee Programs**

KFS does not participate in wrap fee programs.

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#### **Client Assets under Management**

As of December 31<sup>th</sup>, 2010, KFS has \$61,750,000 client assets under management on a non-discretionary basis.

## Item 5: Fees and Compensation

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### Method of Compensation and Fee Schedule

KFS bases its fees on a percentage of assets under management, hourly charges, fixed fees and solicitor fees from third party money managers.

#### ASSET MANAGEMENT

KFS offers discretionary direct asset management services to advisory clients. KFS will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, assets allocation, portfolio monitoring and the overall investment program will be based on the above factors.

Fees for these services will be based on a percentage of Assets Under Management as follows:

Assets Under Management	Annual Fee	Quarterly Fee
Up to \$1,000,000	1.50%	.375%
Over \$1,000,000	1.00%	.25%

The annual Fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in arrears based on the amount of assets managed as of the opening of business on the first business day of each quarter. Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in a provided fee invoice as fees are withdrawn. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five business days of signing the Investment Advisory Agreement for a full refund. Clients may terminate advisory services with 30 days written notice. KFS will be entitled to a pro rata fee for the days service was provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees.

#### FINANCIAL PLANNING FEES

Kelly Financial Services intends to be compensated for its investment advisory services and/or financial planning services by charging fees on either an hourly or fixed/flat fee basis. Hourly fees will be assessed at a rate of \$250 per hour, this fee will typically be charged for those clients requiring limited assistance with their financial planning needs. For clients requiring a comprehensive financial plan, a flat fee of \$1,500 will be charged.

Kelly Financial Services fee will be negotiated in advance and will be set-out in each client's advisory contract. Final payment will be due in 90 days. Clients may request to terminate their advisory contract with Kelly Financial Services, in whole or in part,



by giving written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client.

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**Client Payment of Fees**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Financial Planning fee will be negotiated in advance and will be set-out in each client's advisory contract. Final payment will be due in 90 days.

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**Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

KFS, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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**Prepayment of Client Fees**

Financial Planning fee will be negotiated in advance and will be set-out in each client's advisory contract. Final payment will be due in 90 days. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client.

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**External Compensation for the Sale of Securities to Clients**

KFS does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of KFS.

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**Item 6: Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

KFS does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Item 7: Types of Clients

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### Description

KFS generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

KFS does not require a minimum to open an account.

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

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### Methods of Analysis and Investment Strategies

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear.

The main sources of information include financial newspapers and magazines, research material prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases.

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### Investment Strategy and Method of Analysis Material Risks

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement or Risk Tolerance that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases and trading,.

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### Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings.

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### **Self Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in legal or disciplinary events related to past or present investment clients.

## **Item 10: Other Financial Industry Activities and Affiliations**

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### **Broker-Dealer or Representative Registration**

Neither KFS nor any of its employees are registered representatives of a broker-dealer.

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### **Futures or Commodity Registration**

Neither KFS nor its employees are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

William Kelly and other representatives of KFS are also licensed as independent insurance agents for various insurance companies. Therefore they will be able to purchase products for any client in need of such services.

These practices represent potential conflicts of interest because it gives them an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

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### **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

KFS may at times utilize the services of Third Party Money Managers to manage client accounts. In such circumstances, KFS will share in the Third Party asset management fee. This situation creates a conflict of interest. However, when referring clients to a third party money manager, the client's best interest will be the main determining factor of KFS. These fees do not include brokerage fees that may be assessed by the custodial broker dealer. Fees for these services will be based on a percentage of assets under management not to exceed any limit imposed by any regulatory agency. The final fee schedule will be attached to KFS 's Investment Advisory Agreement.

This relationship will be disclosed to the client in each contract between KFS and Third Party Money Manager. Client's signature is required to confirm consent for services within Third Party Investment Agreement. Client will initial KFS 's Investment Advisory Agreement to acknowledge receipt of Third Party fee Schedule and required documents including ADV2 disclosures.

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

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### **Code of Ethics Description**

The employees of KFS have committed to a Code of Ethics. The purpose of our Code of Ethics is to ensure that when employees buy or sell securities for their personal account, they do not create actual or potential conflict with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

KFS and its employees do not recommend to clients securities in which we have a material financial interest.

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### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

KFS and its employees may buy or sell securities that are also held by clients. In order to avoid potential conflicts of interest such as heading away of client trades, employees are required to disclose all reportable securities transactions as well as provide KFS with copies of their brokerage statements.

The Chief Compliance Officer of KFS is Gregory Murray. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment. Since most employee trades are in products such as mutual funds, government securities, bonds or are small in size, they do not impact the securities markets.

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### **Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

KFS does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist.

## **Item 12: Brokerage Practices**

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### **Factors Used to Select Broker-Dealers for Client Transactions**

KFS may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. KFS will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and

reporting ability. KFS relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by KFS.

- *Directed Brokerage*

In circumstances where a client directs KFS to use a certain broker-dealer, KFS still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: KFS's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients, and potential conflicts of interests arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. KFS reviews the execution of trades at each custodian each quarter.

- *Soft Dollar Arrangements*

KFS utilizes the services of custodial broker dealers. Economic benefits are received by KFS which would not be received if KFS did not give investment advice to clients. These benefits include: A dedicated trading desk, a dedicated service group and an account services manager dedicated to KFS's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

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### **Aggregating Securities Transactions for Client Accounts**

KFS may aggregate orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple (discretionary) accounts. If a block trades cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, a partial fill will generally be filled pro-rata among participating accounts. Prior to entry of a block trade, a written pre-allocation will be generated which identifies the group of client accounts participating in the order.

Changes in allocation prior to final allocation may be made for good cause provided that all client accounts receive fair and equitable treatment. A written explanation of the reason for any material change in the allocation must be provided to and approved by the Compliance Officer no later than the morning following the execution of the trade. If the change in the allocation is the result of a condition that exists or a change in the client's account outside of the portfolio manager's control, then approval by the Compliance Officer is not required.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed quarterly by Investment Advisor Representatives of KFS. Account reviews are performed more frequently when market conditions dictate. Financial planning relationships with clients are monitored on an ongoing basis to ensure the recommendations made are within the scope of the plan remain suitable. The advisor will meet with the clients on at least an annual basis to secure updated information relating to all planning clients.

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### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Content of Client Provided Reports and Frequency**

Clients receive account statements no less than quarterly for managed accounts. Account reports are issued by the Advisor's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

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

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### **Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

KFS does not receive any economic benefits from external sources.

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### **Advisory Firm Payments for Client Referrals**

KFS does not compensate for client referrals.

## **Item 15: Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by KFS.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Generally, Clients grant Kelly Financial Services complete discretion over the selection and amount of securities to be bought or sold for their account (within the parameters established by their Advisory Agreement) without obtaining their consent or approval. However, these purchases may be subject to specified investment objectives and guidelines. For example, a Client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio.

Discretionary authority will only be authorized upon full disclosure to the client and by that client specifically authorizing said authority through the execution of an Investment Advisory Agreement. All discretionary trades made by Kelly Financial Services on behalf of their discretionary accounts (clients) will be in accordance with that client's investment objectives and goals.

Our primary objective in placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Kelly Financial Services will execute its transactions through an unaffiliated broker-dealer. The broker-dealer will be chosen based on the following: 1) the broker's capital depth, 2) the broker's market access, 3) the broker's transaction confirmation and account statement practices, 4) our knowledge of negotiated commission rates and spreads currently made available, 5) the nature and character of the markets for the security to be purchased or sold, 6) the desired timing of the transaction, 7) the execution, 8) clearance and settlement capabilities of the broker selected and others considered, 9) our knowledge of any actual or apparent operational problems of a broker and 10) the reasonableness of the commission or its equivalent for the specific transaction. We will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker.

This would justify higher commissions (or their equivalent) than other transactions requiring routine services.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

KFS does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, KFS will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.



## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because KFS does not serve as a custodian for client funds or securities and KFS does not require prepayment of fees of more than \$1200 per client and six months or more in advance.

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### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

KFS has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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### **Bankruptcy Petitions during the Past Ten Years**

Neither KFS nor its management has had any bankruptcy petitions in the last ten years.

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## Brochure Supplement (Part 2B of Form ADV)

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### Item 2 Education and Business Standards

#### William A. Kelly

##### Educational Background:

- Date of birth: 1952
- AB in Aerospace Technology from the Air Force Technical Institute of Denver; 1975

##### Business Experience:

- Kelly Financial Services; President/IAR; 2003-Present
- Kelly Financial Group, LLC; IAR; 2002-2003
- Locust Street Securities; Registered Rep; 2003-2003
- Securities Services Network, Inc.; Registered Rep; 2002-2003
- Meadowbrook Financial Services; Registered Rep; 1999-2002
- J.P. Turner & Company, LLC; Registered Rep; 1999-2002
- Securities America Advisors, Inc.; IAR; 2001-2002
- Securities America, Inc.; Registered Rep; 2000-2002
- Sunpoint Securities, Inc.; Registered Rep; 1999-1999
- Linsco/Private Ledger Corp.; Registered Rep; 1997-1999

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### Item 3 Disciplinary Information

None to report

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### Item 4 Other Business Activities

President William Kelly has a financial industry affiliated business as an insurance agent. From time to time, he will offer clients advice or products from those activities. He may receive separate yet typical compensation in the form of commissions for the sale of insurance products.

These practices represent potential conflicts of interest because it gives Mr. Kelly an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

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### Item 5 Additional Compensation

President William Kelly does not receive any performance based fees.

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**Item 6 Supervision**

Since Mr. Kelly is the sole proprietor and investment adviser representative of Kelly Financial Services he is ultimately responsible for all supervision and formulation and monitoring of investment advice offered to clients. Gregory Murray is designated as the Chief Compliance Officer of KFS and will supervise Mr. Kelly.

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**Gregory Peter Murray****Educational Background:**

- Date of birth: 1985
- Hesser College; Micro Computer Support; 2007

**Business Experience:**

- Kelly Financial Services; Chief Compliance Officer/IAR; 2010-Present
- Independent Contractor; Insurance Agent; 2008-Present
- Waddell & Reed, Inc.; IAR; 2008-2010
- Lowes; Sales Specialist; 2005-2008
- Full Time Student; 1999-2007

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**Item 3 Disciplinary Information**

None to report

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**Item 4 Other Business Activities**

Gregory Murray has a financial industry affiliated business as an insurance agent. From time to time, he will offer clients advice or products from those activities. He may receive separate yet typical compensation in the form of commissions for the sale of insurance products.

These practices represent potential conflicts of interest because it gives Mr. Murray an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

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**Item 5 Additional Compensation**

Gregory Murray does not receive any performance based fees.

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**Item 6 Supervision**

Gregory Murray is supervised by William Kelly, Owner. He reviews Gregory's work through frequent office interactions.

William Kelly's contact information:

PHONE: 781-849-3090 EMAIL: billk222@kellyfinancial.org

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**Christine Jeanne Tufts****Educational Background:**

- Date of birth: 1970
- Wheaton College; BA in English; 1992

**Business Experience:**

- Kelly Financial Services; IAR; 2010-Present
- Camlog; Marketing Coordinator; 2007-2008
- Rhapsody; Pionao Teacher; 2007-2007
- Law Office of Dagmar Pollex; Client Communications Assitant; 2005-2006
- Rhapsody; Piano Teacher; 2003-2005
- State Street; Admin. Asst./Media Specialist; 2000-2003

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**Item 3 Disciplinary Information**

None to report

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**Item 4 Other Business Activities**

Christine Tufts has no other business activities.

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**Item 5 Additional Compensation**

Christine Tufts does not receive any performance based fees.

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**Item 6 Supervision**

Christine Tufts is supervised by Gregory Murray, Chief Compliance Officer. He reviews Christine's work through frequent office interactions.

Gregory Murray's contact information:

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