

## **Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

**BROWN ARMSTRONG FINANCIAL SERVICES, INC.**  
**2177 SW MAIN STREET**  
**PORTLAND, OR 97205-1190**  
**503/221-1776**  
**February 22, 2011**

This Brochure provides information about the qualifications and business practices of Brown Armstrong Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at 503-221-1776. The information in this Brochure has not been approved or verified by Oregon Division of Finance and Corporate Securities.

Additional information about Brown Armstrong Financial Services, Inc. also is available on Oregon's Division of Finance and Corporate Securities' website at [dfcs.oregon.gov](http://dfcs.oregon.gov)

## Item 2 Material Changes

On July 28, 2010, the Oregon Division of Finance and Corporate Securities published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by the Oregon Division of Finance and Corporate Securities Rules. This Brochure dated February 22, 2011 is a new document prepared according to the Oregon Division of Finance and Corporate Securities’ new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not contain.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new Oregon Division of Finance and Corporate Securities Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, November 30<sup>th</sup>. We may further provide other ongoing disclosure information about material changes as necessary.

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The two brochure supplements below:

- Part 2A, Appendix 1: The “Wrap Brochure” – Brown Armstrong Financial Services, Inc. does not sponsor a wrap fee program.

#### Item 4 Advisory Business

Brown Armstrong Financial Services, Inc. provides investment management services for clients (mainly individuals, trusts and partnerships) seeking professional management of their investments. After an assessment of the client's goals and constraints, including risk, investment horizon, cash and tax considerations, a determination is made regarding investments and investment managers within each of the asset classes or management styles that make up the chosen asset allocation for the client. Managers and/or investments are selected and monitored based upon such factors as: a) client's goals and constraints; b) low fees and c) low account turnover (to minimize transaction costs and taxes). Asset classes chosen often include a core holding of large cap dividend paying stocks and high quality bonds with appropriate maturities and exposure to overseas economies.

Brown Armstrong Financial Services, Inc. also offers investment consulting services such as investment portfolio analysis and performance measurement before and after taxes and fees.

Philip F. Brown founded Brown Armstrong Financial Services, Inc. in 1990 and serves as its president and sole shareholder.

## Item 5 Fees and Compensation

**Fees Charged:** Fees are billed quarterly in advance based on market values calculated at the end of the previous calendar quarter (for new accounts during a quarter, a pro-rata fee based upon the fee schedule will be included with the billing for the next quarter). For account values above \$1 million, and in special limited circumstances, or for services other than investment management, fees may be negotiated. Each new investment management account is subject to a minimum size of \$500,000, although exceptions may be made at adviser's discretion. In select situations, adviser may agree to charge at standard hourly rates for management services. No other fees or expenses are charged by adviser.

Maximum fees are at the annual rate of 1 percent of account values up to \$1 million. Fees for account values above \$1 million are negotiated. There is a minimum annual fee of \$5,000, although exceptions may be made at adviser's discretion.

**Investment Consulting:** This service is offered to clients whose funds are not actively managed by adviser. Consulting topics include investment portfolio analysis and performance measurement before and after taxes and fees. Fees for this service are negotiated on an hourly or project basis with each client, payable after service has been performed. The standard hourly rates range from \$150 to \$250. When a client requests a particular financial planning service, fees may be charged on an hourly basis or by a negotiated fixed fee. The client and adviser decide upon a fair fee for a particular service. No prepayment of more than \$500 in fees per client is required or solicited.

**Payment of Fees:** Fees may be paid directly by the client or withdrawn from accounts each quarter by the custodian. Three criteria must be met when payment is withdrawn by the custodian: (1) the client must provide written authorization permitting the fees to be paid directly from the client's account held by the independent custodian; (2) contemporaneously with submission of a bill for fees to the custodian, adviser must send client a bill showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated; and (3) the custodian sends to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fee paid directly to adviser. While clients grant adviser a limited power of attorney to implement the client's strategy, adviser does not and will not have custody of client funds or securities except where the adviser or officers of the adviser are named trustee of the client's account. In cases where mutual funds or investment managers other than adviser are chosen, adviser's fees will be negotiated and will be in addition to fees paid to the fund manager. Clients are responsible for brokerage and other transaction costs, including any trustee, transfer or custodial fees charged by parties other than the adviser.

**Termination:** Accounts may be terminated at any time by the adviser or the client by delivery of written notice of intent to terminate. Termination will be effective thirty (30) days after receipt of such written notice. No separate termination fee is charged, and a pro-rata refund will be made to the client for the remainder of the calendar quarter after receipt of notice of termination. The Investment Management Service Agreement provides that all disputes shall be arbitrated before the American Arbitration Association pursuant to their rules. The above statement is not intended to waive the client's rights to pursue legal action in a court of law.

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

Brown Armstrong Financial Services, Inc does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7      Types of Clients

Brown Armstrong Financial Services, Inc. offers investment management services for clients (individuals, high net worth individuals, trusts, corporations, foundations and endowments) seeking professional management of their investments.

Each new investment management account is subject to a minimum size of \$500,000, although exceptions may be made at adviser's discretion. In a few select situations, adviser may agree to charge at standard hourly rates for investment management services.

Maximum fees are at the annual rate of 1 percent of account values up to \$1 million. Fees for account values above \$1 million are negotiated. There is a minimum annual fee of \$5,000, although exceptions may be made at the adviser's discretion.

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

Brown Armstrong Financial Services, Inc. engages in fundamental analysis using financial publications and investment research materials prepared by others. Bond rating services, annual reports, prospectuses and company press releases are reviewed as part of the analytic process.

Prospective new clients are interviewed carefully concerning such things as their needs, goals, time horizon and tolerance for risk. From those interviews, an Investment Management Services Agreement is developed that serves as a guide for the management of their investment portfolios. Factors considered include portfolio size, account type, investment objectives, income needs, expected contributions/withdrawals, risk tolerance, willingness to accept short term fluctuations and investment horizon. Clients are counseled that investing in securities involves risk of loss that they should be prepared to bear.

The client's existing portfolio(s) and asset allocation(s) will be examined in order to determine changes needed, with careful consideration for the tax implication of those changes.

We encourage client involvement and feedback throughout the investment strategy process. We work mainly with clients who are interested in conservative, long term growth and income with low turnover and minimizing risk and taxes. We avoid potential clients who are interested in frequent trading and unusual risks. We believe in holding core stocks of well capitalized companies with proven records, quality management and promising long term prospects. Other strategies may be built around the core portfolio.

Our analysis is based on a forward-looking building block methodology and employs efficient frontier modeling. This process takes into account:

- The asset classes to be considered
- Estimated risk/return characteristics of each asset class
- Correlations between the relevant asset classes
- Limitations on each asset class imposed by the client's investment guidelines

By creating a target asset mix and a benchmark, we define the account's asset allocation within an acceptable range of expected risk and return parameters, permissible investment vehicles, and management style.

Client portfolios are reviewed for rebalancing at least annually. Clients are encouraged to stick with their agreed asset allocation unless their circumstances have changed.

## Item 9 Disciplinary Information

Brown Armstrong Financial Services, Inc. and its employees have never had any legal or disciplinary events.

Item 10 Other Financial Industry Activities and Affiliations

The principal executive officer, Philip F. Brown, CPA is also president of Brown/Armstrong, A Professional Corporation, which is engaged in the practice of public accounting. He has held that position since 1972. The practice of public accounting has required more than 50% of Mr. Brown's time.

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

Brown Armstrong Financial Services, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. All supervised persons at Brown Armstrong Financial Services, Inc. must acknowledge the terms of the Code of Ethics, as amended, annually.

Brown Armstrong Financial Services, Inc. has a fiduciary duty to its clients. We will provide a copy of our code of ethics to any client or prospective client upon request. The general principles of our code include: (1) the duty at all times to place the interests of clients first; (2) the requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility; (3) the principle that investment adviser personnel should not take inappropriate advantage of their positions; (4) the fiduciary principle that information concerning the identity of security holding and financial circumstances of clients is confidential; and (5) the principle that independence in the investment decision-making process is paramount. Failure to comply with the applicant's code of ethics may result in disciplinary action, including termination of employment.

## Item 12 Brokerage Practices

Brown Armstrong Financial Services, Inc. does not have any special soft dollar arrangements with the custodians it utilizes. The benefits received are standard and available to all investment advisers. The services include brokerage, custody, research, and access to mutual funds. These benefits are not dependent on client trades. Other benefits received include: software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitation of trade execution (and allocation of aggregated trade orders for multiple client accounts), research, pricing information and other market data, facilitation of fee payment from adviser clients', and assistance in back-office functions, recordkeeping and client reporting.

### Item 13    Review of Accounts

All amounts and all securities are reviewed at least quarterly by a principal or qualified employee of adviser. Circumstances such as client requests, significant changes in market or economic climate, changes in a client's goals or constraints, withdrawals, deposits, major market movements or a change in tax status would occasion an account review. Quarterly conferences with clients are encouraged.

Philip F. Brown, president of the firm, performs all account reviews. In addition to reviewing the conditions mentioned above, Mr. Brown also reviews changes in client disbursements and actuarial requirements; concentrations in securities, diversification and asset allocation; changes in market conditions, market outlook, the economy and business conditions; and the status of individual securities.

At a minimum, each client receives a quarterly detailed asset analysis and valuation, including performance relative to an appropriate benchmark.

Item 14 Client Referrals and Other Compensation

Brown Armstrong Financial Services, Inc. does not currently, nor has it ever, engaged in Client Referrals and Other Compensation.

## Item 15 Custody

Our clients receive monthly statements from the qualified custodian that holds and maintains their investment assets. Brown Armstrong Financial Services, Inc. urges clients to carefully review such statements and compare such official custodial records to the account statements that we provide to them. Occasionally our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies for certain securities, such as dividends and interest paid or trades pending settlement at the end of a month that are reflected in the custodial statements in the following month.

Item 16 Investment Discretion

Brown Armstrong Financial Services, Inc. usually receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Brown Armstrong Financial Services, Inc. observes the investment policies, limitations and restrictions for each client it advises.

Investment guidelines and restrictions must be provided to Brown Armstrong Financial Services, Inc. in writing.

Item 17    Voting Client Securities

Brown Armstrong Financial Services, Inc. does not assume responsibility for voting proxies on behalf of advisory clients.

Item 18 Financial Information

No prepayment of more than \$500 will be charged to clients; therefore an adviser balance sheet is not required. Brown Armstrong Financial Services, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 Requirements for State-Registered Advisers

A. Identify each of your principal executive officers and *management persons*, and describe their formal education and business background.

Philip F. Brown founded Brown Armstrong Financial Services, Inc. in 1990 and serves as its president and sole shareholder. From 1972 to the present, Mr. Brown, a CPA, has been president of Brown/Armstrong, A Professional Corporation, which is a public accounting firm. Mr. Brown has served a wide variety of clients in the areas of taxation, financial planning and investment planning. Mr. Brown was born in 1935 and received BBA and MBA degrees from the University of Michigan in 1957 and 1958. He began his career in public accounting with an international accounting firm in 1964 after working in banking and credit management.

Manisha P. Thakkar joined Brown Armstrong Financial Services, Inc. in 2001 and assists Mr. Brown in portfolio management and day to day operations. She has over 18 years of investment industry experience. Prior to her current position she held research analyst positions at two investment consulting firms based in Portland, Oregon. Mrs. Thakkar was born in 1967 and received her BS in Economics from Southern Methodist University in 1989 and Masters of Finance degree from the University of Texas at Dallas in 1993. She holds a Chartered Financial Analyst (CFA) designation.

B. Describe any business in which you are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business.

In addition to being the chief executive officer of Brown Armstrong Financial Services, Inc., Philip F. Brown is president of Brown/Armstrong, A Professional Corporation engaged in public accounting. He has held this position since 1972. This activity requires at least 50% of Mr. Brown's time.

C. Brown Armstrong Financial Services, Inc. employees are not compensated for advisory services with performance-based fees.

D. Brown Armstrong Financial Services, Inc.'s principal executive officers and management persons have not been involved in any of the events pertaining to Part D.

E. Brown Armstrong Financial Services, Inc.'s principal executive officers and management persons do not have any relationship or arrangement with any issuer of securities.