

FORM ADV Uniform Application for Investment Adviser Registration

Part 2A Appendix 1: Wrap Fee Brochure

Item 1: Cover Page

**FSW Advisory Services, Inc.
First Freedom Wrap Fee Program**

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Firm CRD # 148818

Issue date: March 30, 2012

This wrap fee brochure provides information about the qualifications and business practices of FSW Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at the phone number listed above, or at the following email address [insert]

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 FSW Advisory Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov

Item 2: Material Changes

FSW Advisory Services, Inc. made no material changes to this document.

Should you have any questions related to this Wrap Fee Brochure, please contact a firm representative at your convenience.

Item 3: Table of Contents

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Item 4: Services, Fees and Compensation

Services

First Freedom is a Separately Managed Account (“SMA”) program whereby FSWA screens a number of 3rd party separate account managers (“Managers”) who meet various needs of investor portfolio management. FSWA provides personal advice with regard to choosing the manager(s) of these portfolios, and all accounts are managed on a discretionary basis. That manager provides non-personal discretionary portfolio management.

First Freedom Accounts are available through independent Registered Investment Advisor firms with FSWA as the Sponsor and Portfolio Manager of the program. Direct customers may be individuals, institutions, pension and ERISA clients as well as individual tax-deferred accounts such as IRAs, and small and medium businesses.

FSWA may engage one or more sub-advisors or purchase consulting services for research, due-diligence, strategy or other services as it deems necessary. This will not increase or decrease your fee in any way.

Fees

The investment management fee charged to investors in the First Freedom program are considered “wrapped”, with all administrative, custodial and brokerage transaction charges included as part of the management fee.

The client will pay one fee for all of these services. This fee is based on a percentage of assets under management depending on the investment strategy and the client’s total assets under management. These fees apply to

Equity, Mutual Fund and ETF Portfolios

.80% - 2.75%

Fixed Income Portfolios

.80% to 1.75%.

All management fees are subject to an \$800 annual minimum. Institutional accounts may be negotiated further based on the services requested and the size and scope of their requirements

Fees are assessed quarterly in advance, based on the market value of the account at inception (for new accounts) and on the last business day of the previous quarter. Fees are directly debited from the client’s account by the custodian; there is no other fee payment option; permission to do so is granted in the agreement with FSWA.

All accounts assets are maintained at FSWA's affiliate First Southwest Company ("FSC"), a FINRA registered broker-dealer. While all trading and custodial fees are wrapped, FSWA may charge standard fees for non-advisory related services. This may include printing fees, fees for wire transfer, etc.

The program limits the number of transactions placed by the IAR and allows each portfolio to trade up to 72 trades per year (or 6 per month over 12 consecutive months). Accounts where trading exceeds 72 trades per year may incur additional trade execution fees at a rate up to \$25.00 per trade.

Neither FSWA nor and IAR will receive any commissions for the sale or redemption of money market funds, institutional mutual funds, mutual funds, FDIC sweep products, or exchange traded funds. Transaction costs or fees for trading and custody however, may apply, and the broker/dealer of record (FSC) may receive 12-b-1 fees from the funds in a client's portfolio. Transaction costs are not commissions; they are clearing costs charged by the designated clearing firm (FSC) on the account. A detailed description of these transaction costs is outlined in FSWA's Agreement with FSC.

Compensation

The Advisor's compensation is solely derived as a percentage of the management fee charged to client accounts. At no time do they receive other compensation such as commissions; however, Advisors may also be registered as agents of a broker-dealer (Registered Representatives) with FSC, the broker custodian.

Your Advisor will help you determine whether and which Managers may be appropriate for your situation. FSWA communicates with your advisor to assure that your account is managed in the manner most suitable for your situation.

As of 12/31/2011, FSWA maintains discretionary assets under management of \$300,000.00 in this wrap fee program.

General Wrap Fee Disclosures:

The total fee paid by a client may be higher or lower than the fees paid separately for the same service. Although there may be a conflict of interest in placing over 72 trades per year for a wrap Client, there is also another conflict (to not trade the account) as this lowers the overall cost of the program (expense) to FSC and FSWA, thus increasing profitability.

Ownership of securities may incur additional costs – including the distribution fees (even for no-load or load waived funds); however, mutual funds and Exchange Traded Funds both carry separate advisory and administrative fees that are paid by a fund or ETF shareholder (see the mutual fund or ETF prospectus for detail).

As a result, a wrap fee program client should evaluate the total cost of the fees, the trading limitations and other variables to ensure the wrap program described here is reasonable (based on the total, all inclusive expenses) when compared to purchasing the services separately.

In addition, our Advisors who are authorized to provide the service have an incentive to recommend the service. The total compensation may be more than what the Advisor would receive if a Client were in another advisory service program or paid separately for investment advice, brokerage, custody and other services. As a result, Advisor has an *incentive* to have clients participate in the wrap program.

Item 5: Account Requirements and Types of Clients

Clients of First Freedom are typically individuals. The minimum account size for a fixed income account is \$250,000. The minimum account size for an equity account is \$50,000. There is also an annual minimum asset management fee of \$800 per account.

Accounts closed within a year of their opening may be subject to a liquidation fee of \$750, or \$25.00 per transaction, whichever is greater to cover liquidation and administrative costs.

Item 6: Portfolio Manager Selection and Evaluation

Managers are screened on a large number of criteria besides performance, such as longevity, operational ability, soundness of management practices, fairness of account allocation processes, and many other factors. FSWA may employ a third party to perform or help perform due diligence on its behalf. Any Manager recommended to clients will have full investment discretion with respect to the implementation of the investment strategy. You will authorize this full investment discretionary authority through your agreement with FSWA and/or the Manager. This investment and trading authority in no way implies any authority to remove or transfer funds in or out of your account without your express permission and direction. The only exception to this is our ability to instruct that fees be deducted from your account by the custodian and paid to the appropriate parties as defined in your contract.

In this program, FSWA attempts to identify managers with consistent top quartile performance in a given style or asset class. More emphasis is given to those mitigating Downside Capture Ratios, than Upside Capture Ratios. Additionally, consistency is valued more than volatility as evidenced by periods of high performance relative to peers followed by periods of lower performance relative to peers. No guarantee can be made that FSWA will meet these objectives.

Advisory Business

Please see Item 4 above for a description of the First Freedom Wrap Fee Program and the FSWA advisory business related to the First Freedom Wrap Program

Performance Fees

FSWA's wrap fee program does not incorporate performance fees or the offering of any additional investment services; side-by-side management does not apply to those services rendered by the firm.

Methods of Analysis, Investment Strategies and Risk of Loss

Clients portfolios are matched with the strategies of Managers, and assets are allocated across various Managers, based on the match between the goals of the client, and the expertise of the manager. The Manager then manages each account separately. Some clients may employ fewer, or more managers based on a variety of factors, and the intended asset allocation of the portfolio.

All securities contain some amount of risk. FSWA tries to mitigate those risks by building portfolios with certain asset classes which do not correlate to the US stock and bond market performance. These asset allocations are based on a client's:

- stated risk profile,
- need for liquidity,
- tax considerations,
- time horizon, and
- long term objectives.

While FSWA does not manage assets individually in this Program, FSWA does reserve discretionary rights to hire fire or replace any manager in this program. The only limitations on our investment authority will be those imposed by you in writing, when you open the account, or if you subsequently amend your contract. FSWA provides non-personal advice with regard to the management of these portfolios, and all accounts are managed on a discretionary basis.

Risk of Loss: Investing in securities involves a certain amount of risk of loss that clients should be prepared to bear. Where short term trading methods are employed, the cost of more frequent trades can often incur more expense than that of a long term purchase approach. Questions regarding these risks and/or increased costs may be directed to the firm and its representatives.

Voting Client Securities

Certain 3rd party managers ***will or will not vote*** proxies for securities held in Client's account in accordance with that Manager's policies regarding proxy voting. In the event

that the 3rd party manager votes proxies, Advisor is authorized and directed to instruct the Custodian to forward promptly to Third Party Manager copies of all proxies and shareholder communications relating to securities held in the account. Upon request, Third Party Manager shall furnish Client, within ten business days and free of charge, information as to how Third Party Manager voted such Client's specific proxies. Advisor will provide, or cause Third Party Manager to provide a copy of Third Party Manager's Form ADV Part II, or Disclosure Document outlining such policies as the account is opened. Client may request updated Form ADV at any time.

The Advisor will not take any action or render any advice with respect to any securities held in the Account which are named in or subject to class action lawsuits. Advisor will, however, forward to Client any information received by Advisor regarding class action legal matters involving any security held in the Account.

Where a 3rd party manager does not vote proxies, FSWA also does not vote, nor advise clients how to vote proxies for securities held in client accounts. Clients maintain all voting responsibility. Accordingly, each client is sent the applicable proxy statement(s) directly from the custodian of record.

Item 7: Client Information Provided to Portfolio Managers

Then, the asset allocation is derived from the Client's objectives, as documented in an investment policy statement (IPS).

This IPS drives the appropriate allocation and investment decisions, including any reasonable restrictions or in-kind transfers that were placed into the account.

Client accounts are reviewed continuously by the respective Advisor. Formal reviews with each client are scheduled no less than annually, and may be more frequent as circumstances dictate. Any time a material piece of financial information changes, such as change in the client's investment objective, or other financial circumstance, a portfolio would become subject to review. Clients are encouraged to share any material changes to their financial situation with their Advisor.

Except as otherwise agreed in writing or as required by law, Advisor will exercise the highest degree of due diligence and care with respect to keeping confidential all Client information. However, by signing this agreement, Client authorizes Advisor to give a copy of this Agreement to any broker, dealer or other party to a transaction for the Account, or the Custodian as evidence of Advisor's limited power of attorney and authority to act on Client's behalf. In addition, Client grants Advisor authority to discuss, disclose, and provide confidential Client information to outside attorneys, auditors, consultants and any other professional advisors or third parties retained by Advisor to assist in the management and performance of this Agreement and Client's Account. Additionally, Client will be supplied with Privacy Policies, as updated by the Advisor.

Item 8: Client Contact with Portfolio Managers

First Freedom does not place any restrictions on the client's ability to contact or consult with their Advisor.

Item 9: Additional Information

Disciplinary Information

The firm and its management personnel are not the subject of any disciplinary, regulatory, criminal, civil, or otherwise reportable history.

Other Financial Industry Activities and Affiliations

Advisors may also be licensed as RRs of FSC, the broker / custodian for the wrap program clients. As a result, they are licensed to purchase or sell securities for client accounts, including wrap program accounts.

In addition, FSC may receive additional compensation from Wrap Program Clients as FSC is the broker / custodian of the wrap assets in the form of 12b-1 fees on mutual funds.

Additional compensation received by an Advisor / Portfolio Manager or by FSW is not used to off-set a Clients wrap fee or additional commissions if over 72 transactions are placed during a 12-month period.

FSWA is owned by First Southwest Holdings, LLC ("FSH") which in turn is owned by PlainsCapital Bank. FSW Advisory is affiliated with the following First Southwest entities.

- First Southwest Company ("FSC"), a FINRA registered broker-dealer.
- First Southwest Asset Management ("FSAM"), a SEC registered investment adviser

FSC and FSAM are both owned by FSH. FSWA maintains affiliations with other non-financial services companies of First Southwest which are also owned by FSH.

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

FSWA's advisory representatives may purchase or sell products that they may recommend to clients. The firm has adopted a Code of Ethics which establishes basic policies of ethical conduct for all managers, officers, and employees of the adviser. The Code also governs personal trading by Access Persons. Access Person is defined under

Rule 204(a) -1of the Investment Adviser Act of 1940. It is intended to ensure that the securities transactions of Access Persons will not pose any actual or potential conflicts of interest with client trades.

The firm collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest. A copy of FSWA's Code of Ethics is available upon request by contacting the CCO at phone number on this brochure.

Review of Accounts

Client accounts are reviewed continuously by the respective Advisor and periodically by the CIO. Formal reviews with each client are scheduled no less than annually, and may be more frequent as circumstances dictate. Any time a material piece of financial information changes, such as change of investment objective, or other financial circumstance, a portfolio would become subject to review. Clients are encouraged to share any material changes to their financial situation with their Advisor.

Clients receive monthly brokerage statements from the custodian, FSC which identifies securities holdings, cash balances, transaction history, dividend and interest postings and total assets of the account.

Clients also receive a quarterly report from FSWA which shows similar information about holdings in the account, as well as a performance report which reflects portfolio returns on a quarterly, annual and since inception basis.

Client Referrals and Other Compensation

FSWA does not compensate, either directly or indirectly, another person or an entity for client referrals. The firm is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations.

Financial Information

Under Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain information about their business practices that might serve as material to the client's decision in choosing an investment adviser.

At this time, FSWA does not maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients. Where the firm does require the prepayment of certain fees, such fees are in the form of a retainer for financial planning services which are then rendered shortly thereafter.