

FIRST FINANCIAL STRATEGIES, INC.

FORM ADV, PART 2 A – Disclosure Brochure

Pursuant to the so-called “brochure rule”, First Financial Strategies, Inc. (“FFSI”), periodically updates Form ADV, Part II. This rule requires that FFSI provide a written document containing the information contained in Form ADV, Part II, to all clients with whom the firm enters into an investment advisory contract. FFSI must deliver this brochure to a client or prospective client:

- a) Not less than 48 hours prior to executing a contract with FFSI, or
- b) at the time of executing such contract, in which case the client has the right to terminate the contract with FFSI within five business days without penalty.

Also, any client may cancel a contract with FFSI at any time, without penalty, upon the firm's receipt of written notification from the client.

Part II of Form ADV contains information relating to FFSI's business. This information includes: types of services offered, fees, types of clients served, types of investments generally recommended, methods of analysis, strategies employed, information sources consulted, educational and business background of management employees, participation in connection with client transactions, conditions for managing accounts, the nature of discretionary authority, the process for reviewing accounts, brokers used, the allocation of brokerage commissions, and other business ventures the management employees participate in.

The information contained herein relates only to specific questions to which the relevant regulatory agencies request answers. The document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of FFSI's business.

This brochure provides information about the qualifications and business practices of First Financial Strategies, Inc. If you have any questions about the contents of this brochure, please contact us at (602) 230-7721 and/or jbarrons@ffsirmg.com and/or kgallett@ffsirmg.com. 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 First Financial Strategies, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

A note to all current and potential clients. The principals of FFSI are involved in many other business ventures unrelated to the financial advisory business of FFSI. These businesses are various operating companies, and other businesses in which the principals have ownership interest and management responsibilities. The principals of FFSI spend approximately 20% of their time on the financial advisory services of FFSI and 80% of their time on their other business investments.

First Financial Strategies, Inc.

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1 - Advisory Services and Fees

First Financial Strategies, Inc. was incorporated in 1988. The principals and owners are James and Laura Barrons and Kyle and Lynn Gallett. The Barrons own 75% of the company stock and the Galletts owns 25%.

The principal business of FFSI consists of furnishing investment advisory services to clients. This activity includes the provision of continuous advice concerning the investment of funds consistent with the objectives, financial condition, and risk tolerance of each client. The investment management process includes an assessment of each client's objectives, needs, restrictions, and portfolio holdings. We attempt to structure each client's investment program based on these considerations.

FFSI may, from time to time, manage accounts on a fully discretionary basis without detailed knowledge of the circumstances, preferences, and objectives of the specific client. In these instances, FFSI formulates and implements an investment program that is considered prudent, appropriate, and suitable to the nature of the account and FFSI's understanding of the client's general circumstances.

FFSI also provides investment advice to participants in retirement plans.

FFSI does not issue any publications relating to securities on a free or subscription basis, nor do we prepare any special reports or analyses relating to securities for distribution. Also, FFSI does not generally prepare any charts, graphs, formulas for use by clients in evaluating securities. Incidental to FFSI's primary function as investment adviser, FFSI offers clients certain very general guidance commonly considered financial planning.

Assets Under Management – As of December 31, 2011, FFSI had assets under management of \$18,300,000. All of these assets were in discretionary accounts. As of December 31, 2011 FFSI did not have any assets under management in non-discretionary accounts.

Fees – FFSI's typical fee is 1% of assets under management. However, there may be certain circumstances where this fee is discounted due to the nature of a clients portfolio. FFSI does not charge a "minimum" fee or a "maximum" fee. All fees are charged in arrears. FFSI never charges fees in advance.

Clients are also charged transaction fees by the various brokerage firms that have custody of their accounts. The brokerage firms may also charge the clients annual fees for the custody of the client accounts. If clients are invested in mutual funds they may also be charged fees by the mutual funds. All

of these fees are set by the brokerage firms and First Financial Strategies, Inc. has no ability to negotiate these fees lower to benefit the client.

Minimum Account Size – FFSI's typical minimum account size is \$250,000. However, FFSI may, at its own discretion, accept accounts of less than \$250,000 if the investment manager deems it appropriate.

Billing Process – FFSI bills client accounts on either a monthly or quarterly basis, in arrears, by applying either one-twelfth (monthly billing) or one-fourth (quarterly billing) of the applicable annual fee to the closing market value on the just concluded month's (monthly billing) or quarter's (quarterly billing) last trading day.

For example: A monthly account billed on the first day of February applies one-twelfth of the appropriate annual fee times the accounts closing market value on the last trading day of January.

A quarterly account billed on the first day of April applies one-fourth of the appropriate annual fee times the accounts closing market value on the last trading day of March.

The billing cycle is determined by FFSI and the client at the time the investment advisory contract is signed.

When an account is first placed with FFSI, billing begins on the first business day of the following month or quarter. For accounts added on any day other than the first of the month or quarter, billing for that month or quarter is pro-rated by the month's or quarter's total trading days, with the resulting pro-rated fee applied to the current market value of the account on the last trading day of the month or quarter.

If an account is fully removed from FFSI's management during a billing period the fee for that period is pro-rated on the same basis as if the account was added during the month or quarter. Clients may close accounts at any time, upon written notification of FFSI without penalty.

Four households with more than one account, the accounts are all billed on the same billing cycle, and at the same rate. For billing purposes the accounts are added together and the appropriate billing rate applied to the total current market value of all the accounts. The household then receives a single bill for all of the accounts. Upon the request of the client accounts under the same household can be billed separately.

Payment of Fees – Clients can elect to either have FFSI deduct their fees directly from one of their brokerage accounts, or the client can pay the fees directly from the invoice they receive. If the client elects to have FFSI deduct their fees directly from one of their brokerage accounts, FFSI will deduct the fees on either a monthly or quarterly basis in arrears as agreed upon in advance by the client and FFSI.

FFSI believes the fees described above are reasonable in light of industry standards, the experience and expertise of FFSI, and the services delivered.

2 - Types of Clients

FFSI offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and retirement plans.

3 - Types of Securities

FFSI provides investment advice on the following types of securities: exchange listed, over-the-counter, and foreign-issuer securities (including options), corporate debt securities, municipal securities, United States government securities, and mutual fund shares. FFSI also provides investment advice on non-publically traded securities such as: deeds of trust, debt obligations, stock of private companies, and other such investments as clients may wish to purchase from time-to-time.

4 - Methods of Analysis, Sources of Information, and Investment Strategies

FFSI uses a combination of technical and fundamental methods to assess risks and opportunities in the capital markets. Fundamental data is used by FFSI to identify companies, industries, and sectors with compelling financial characteristics. Technical data is used to identify securities with investment potential due to their supply-demand characteristics.

Our investment process involves the review of many sources of information: financial newspapers and magazines, research materials provided by others, corporate rating services, annual reports prepared by the companies, prospectuses, SEC filings, company press releases, and various other forms of investment information that we may review from time-to-time.

FFSI investment philosophy is determined by the needs of the client. The goal is to maximize the client return while keeping trading expenses to a minimum. From time to time and where suitable to client circumstances and preferences FFSI may use short sales, margin transactions, covered option writing, or option purchases.

Note to all clients: Investing in securities involves risk of loss of a portion or all of their investment. The client should be prepared to bear this potential loss.

5 - Education and Business Background of Principals

First Financial Strategies, Inc. does not have any general standards of education or business experience requirements for those involved in determining or giving investment advice to clients. However, both Mr. Barrons and Mr. Gallett, the principals of FFSI, have college degrees, have passed the CPA exam, and have over 20 years of related business experience. The following is a summary of the education and business backgrounds of Mr. Barrons and Mr. Gallett:

James R. Barrons, President and Chief Investment Officer

Born: 1953

Education: University of Michigan

BSA Accounting – 1975

Professional Designation: Certified Public Accountant – 1978

Duties – Mr. Barrons determines the firm’s investment discipline, its principles and implementation, and its suitability for clients. Mr. Barrons makes all the investment decisions for the various client accounts and is responsible for initiating all transactions for the client accounts. Mr. Barrons reviews all accounts on a regular basis to determine any changes to the securities owned by the account.

Business Background:

<u>Company</u>	<u>Type of Business</u>	<u>Title</u>
First Financial Strategies, Inc. Phoenix, AZ 1988 - Present	Financial Consulting and Advisory Services	President
First Financial Investment Group, Inc. Phoenix, AZ 1995 – Present	Owns and invests in real estate and operating entities	President/CEO
RMG Outdoor, Inc. Phoenix, AZ 1989 – Present	Sales and engineering of outdoor advertising structures	CEO
HBF Holdings LLC Phoenix, AZ 1989 – Present	Own/lease and develop real estate properties	Managing Member
Quality Billboards, Inc. Phoenix, AZ 2003 - Present	Manufacture of billboard faces	President/CEO
Metro Phoenix Bank Phoenix, AZ 2006 - Present	Commercial banking operations	Co-chairman
Four Peaks Landscape Management, Inc. Tempe, AZ 2007 – Present	Landscape Management Services	President

Classic Car Spa Phoenix, AZ 2006 – present	Operates car wash facilities	CEO
1988 – Present	Various partnerships, corps, and LLCs involved in the ownership of vacant real estate, development of real estate, operation of outdoor advertising companies, investment in private companies through stock ownership or debt instruments	General partner Stockholder Member

Kyle R. Gallett – Vice President and Chief Compliance Officer

Year of Birth: 1955

Education: Northern Arizona University

BS in Accountancy – 1979

Professional Designation: Certified Public Accountant – 1986

Duties – Mr. Gallett is responsible for the maintenance of all client transactions once they are initiated by Mr. Barrons. Mr. Gallett is responsible for preparing all monthly, quarterly, annual statements for the client accounts along with statements of cash flow. Mr. Gallett is responsible for reconciling the internally prepared statements with the brokerage statements received for each client account and correcting any discrepancies.

Business Background:

<u>Company</u>	<u>Type of Business</u>	<u>Title</u>
First Financial Strategies, Inc. Phoenix, AZ 1988 – Present	Financial Consulting and Advisory Services	Vice President/ Chief Compliance Officer
First Financial Investment Group, Inc. Phoenix, AZ 1995 – Present	Owns and invests in real estate and operating entities	Vice President
RMG Outdoor, Inc. Phoenix, AZ 1989 – Present	Sales and engineering of outdoor advertising structures	Executive Vice President
HBF Holdings LLC	Own/lease and develop	CFO

Phoenix, AZ 1989 – Present	real estate properties	
Quality Billboards, Inc. Phoenix, AZ 2003 - Present	Manufacture of billboard faces	Vice President
Four Peaks Landscape Management, Inc. Tempe, AZ 2007 – Present	Landscape Management Services	Vice President
1988 – Present	Various partnerships, corps, and LLCs involved in the ownership of vacant real estate, development of real estate, operation of outdoor advertising companies, investment in private companies through stock ownership or debt instruments	Financial Officer Stockholder

Mr. Barrons and Mr. Gallett spend approximately 80% of their combined time managing the business affairs of these other businesses and approximately 20% of their combined time on the investment advisory services of First Financial Strategies, Inc.

6 - Participation or interest in Client Transactions

From time to time, FFSI's officers invest in the same securities as the firm's clients. This is done as an expression of the confidence in our portfolio management efforts and to align the interest of the officers of FFSI and firm clients. The principals of FFSI will always use their best efforts to ensure that FFSI personnel do not receive better pricing for trades for their personal accounts than trades for client accounts when executed on the same day for the same securities. However, it is possible that, due to the rapid price changes that can occur on any given day for any security, there may be occasions where firm personnel could receive more favorable pricing than clients receive. Firm personnel communicate on a regular basis to ensure that these price discrepancies are immaterial and do not occur on a consistent basis.

The First Financial Strategies, Inc. Code of Ethics is straightforward: Do the right thing, at all times, for every client. This principle implies a deep commitment to the firm's fiduciary responsibilities to all clients. This code is available to all clients upon request.

7 - Other Business Activities

As previously stated, the principals of FFSI also form and operate other business ventures. Principals of the firm may - from time to time - recommend to clients the purchase of interests in partnerships, LLC's or other investments in which the firm, its principal(s), or an affiliate of the firm serves as general partner, managing member, authorized member, or stockholder and could receive fees and/or back-end profits interests. Prior to any such investment decision, applicant fully discloses to the client any such relationships and potential conflicts of interest, any amounts of remuneration involved and the fiduciary duties that will be owed to the client.

Currently, advisory clients of FFSI have invested funds in the following entities of which the firm, its principal(s), or its affiliates is a general partner, stockholder, note holder, or managing member:

Ellsworth and Southern LP – Owns real estate in Mesa, AZ.

Classic Car Spa – Various LLC's that own real estate that is lease to car wash operations.

FFRB Investors LLC – Investor in Rockbridge Real Estate Fund II LLC. The fund invests in mezzanine and senior debt instruments and focuses on value-added real estate opportunities. FFRB is also an investor in BridgePoint Hospitality Holdings LLC. This LLC owns a hotel management company.

CC Investors 220 LLC – Owns undeveloped real estate in the area of Cave Creek, Arizona

Metro Phoenix Bank – A commercial banking operation in Phoenix, AZ.

8 - Review of Accounts

Individual client accounts are reviewed daily by FFSI's Chief Investment Officer. All accounts are monitored on the AXYS portfolio management software system that provides current and comprehensive information concerning current positions and performance.

Account review is a continuous on-going process that can be altered by unexpected performance, changing market conditions, or changes in client circumstances or preferences. In both routine and unusual circumstances, the primary purpose of FFSI's review process is to ensure that the firm's clients understand what their accounts are invested in and how their accounts are performing. The firm is also constantly monitoring the suitability of the investments in all client accounts.

Clients receive either monthly or quarterly statements for each of their investment advisory accounts. These reports include: a detailed report showing the individual securities owned in each account that shows shares owned, cost basis, current market value on the last day of the reporting period and the current yield of each security. The client also receives a summary statement that summarizes their

account by investment category. Finally, the client receives a copy of the sources and uses of cash for the reporting period. This report shows all the purchases, sales, dividends, interest, deposits, checks written, and any other activity involving the cash in their account for the reporting period.

Clients also receive copies of their monthly statements for the various brokerage firms that maintain their accounts. Currently FFSI uses the following brokerage firms: Schwab, JP Morgan/Smith Barney, Oppenheimer, and GMS. Clients also receive copies of their trade confirmations directly from the brokerage firms. Clients are strongly encouraged to compare the monthly/quarterly statements they receive from FFSI to the statements they receive directly from the brokerage firms. If clients find discrepancies between the FFSI statements and the brokerage statements clients are encouraged to contact FFSI immediately to discuss the discrepancies and why they occurred. If it is discovered that FFSI made an error in the preparation of client statements the error will be corrected immediately and revised statements (and invoices if applicable) will be sent to the client.

In addition to these reports FFSI also communicates with clients frequently via: e-mail, postal mail, telephone, and in person – regarding their accounts and personal and financial circumstances.

9 - Investment and Brokerage Discretion

When establishing client accounts with brokers, the client must specify whether or not FFSI will have total discretion or only partial discretion over the activity within the account.

Mr. Barrons is the only person who has authority to determine, with or without obtaining specific client consent, the securities and the amounts to be bought and sold.

Mr. Barrons also has the discretion to suggest the broker(s) to be used by clients. However, each client must acknowledge their acceptance of the broker recommendation by completing an application form for the broker and signing it. When making recommendations, Mr. Barrons will take into consideration such factors as a brokerage firm's experience and performance with the type of account and/or transaction involved, and how a firm's fees compare with others available. Neither FFSI nor its principals receive any benefit whatsoever in return for recommending certain brokers to clients.

When selecting brokerage firms FFSI will rely heavily on personal interviews with the individual broker (when available) who will handle the client accounts. FFSI will take into consideration the broker's industry experience, knowledge of various investment products, and the research available from the brokerage firm when assessing the brokerage firm.

From time to time the client will request that FFSI direct account activity through certain brokers or other independent third parties. FFSI will do so at the client's request.

Commission rates vary from broker to broker. Annually, or on an as needed basis Mr. Barrons will review the commission structure of each broker to determine the reasonableness of the rates paid. Due

to the vast size of the brokerage firms and the relative small client balances that FFSI maintains with these firms it is extremely difficult for FFSI to negotiate commission rates that are lower than the “typical” commission rates charged by the various brokerage firms. However, Mr. Barrons does review the commissions charged on all trades executed by the brokers for reasonableness.

The products, research and services provided by brokers are a factor in determining the brokers the firm uses, but they do not have any impact on the commission rates to be paid. Clients do not pay higher commissions to firms that offer these items. No clients are charged any additional fees for any research material provided to FFSI. Any such material obtained by the Firm is for the benefit of all clients.