

# FIRST WESTERN SECURITIES, INC.



## ADV PART 2A REGISTERED INVESTMENT ADVISOR BROCHURE

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Member: FINRA/SIPC  
Registered Investment Advisor

This brochure provides information about the qualifications and business practices of First Western Securities, Inc. and our Investment Advisory Accounts. If you have any questions about the contents of this brochure, please contact us at the number/location listed above. 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 Western Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment advisor does not imply a certain level of skill or training.

The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency, and involves risk, including the possible loss of principle.

## Material Changes

First Western Securities, Inc. has not made any material changes since the most recent amendment filing of Form ADV.

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## Advisory Business

First Western Securities, Inc. (“FWS”) provides fee-based investment advisory services. FWS has been providing investment advisory services since 2002. The advisor currently has nine (9) individuals registered as investment advisors operating in 4 branch offices. As of June 30, 2011, FWS provided advisory services on a discretionary basis to \$47.7 Million of assets under management and another \$6 Million assets under management that were serviced without discretionary authority.

FWS is owned by Randal Ferguson. FWS is also registered as a brokerage firm with the Securities and Exchange Commission and as such, is a member of FINRA and the SIPC.

The advisor practices custom management of portfolios according to the client’s objectives. The advisor’s primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The advisor uses exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, CDs, variable life insurance, variable annuities, municipal securities, mutual funds, United States government securities, options in securities, and Interest in partnerships investing in real estate and oil and gas interests to accomplish this objective.

The advisor measures and selects mutual funds by using various criteria, such as the fund manager’s tenure, and/or overall career performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the 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 client, or any risk deemed unacceptable for the client’s risk tolerance.

FWS will provide investment advisory services and portfolio management services and will not provide securities custodial or other administrative services. At no time will FWS accept or maintain custody of a client’s funds or securities.

In addition to investment supervisory services, FWS may provide Financial Planning Services to some of its clients. The advisor’s Financial Planning services may include recommendations for portfolio customization based on their client’s investment objectives, goals and financial situation. Financial Planning Services may also include recommendations relating to investment strategies as well as tailored investment advice.

## Fees and Compensation

### Asset Management Fees

Pursuant to an investment advisory contract signed by each client, the client will pay FWS a monthly or quarterly Management Fee, payable in advance, based on the amount of the assets to be managed by the advisor as of the opening of business on the first business day of each month or quarter. The fee schedule is in the range of 1% to 2.50% of assets under management, but not to exceed 3%.

Account/s Value			Recommended Annual Fee (billed quarterly in advance not to exceed 3% )	
\$25,000	to	\$125,000		2.50%
\$125,001	to	\$250,000		2.25%
\$250,001	to	\$500,000		2.00%
\$500,001	to	\$1,000,000		1.50%
\$1,000,001	to	\$2,000,000		1.00%
\$2,000,000	to	Above		Negotiated

These fees may be negotiated by the advisor under unusual circumstances, at the sole discretion of the advisor.

**Mutual Fund and Variable Annuity Charges:** All fees paid to FWS for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee and other fund expenses. Although FWS usually purchases advisor class mutual fund shares that do not pay brokerage compensation, it is possible that some funds may not offer these types of mutual fund shares. If the funds other features are compelling, FWS may purchase these types of fund shares. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charges. A client has the option to invest in these products directly, without the brokerage services that are also provided by FWS. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by FWS to fully understand the total fees to be paid.

Clients are responsible for all custodial and securities trading fees (including commissions) charged by the custodian and executing broker-dealer. The Advisors fee is separate and distinct from the custodian and brokerage fees.

Clients may request to terminate their advisory contract with FWS, in whole or in part, by providing advance 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. Client's advisory agreement with the Advisor is non-transferable without Client's written approval.

#### Hourly Fee

Some clients will contract to have investment advisory advice and/or financial planning advice, by consultation, based on an hourly fee rather than based on the assets under management. The advisors hourly fee will be negotiated on a case by case basis. The advisors hourly fees will be negotiated and agreed upon by the parties in advance.

#### Fixed Fees

FWS may charge a fixed fee for comprehensive financial planning, consulting or investment review services as contracted for with client in advance. Fixed fees may be negotiated in advance based at the discretion of the advisor and are billed as earned.

### Commission:

Currently, all of FWS advisors are also registered as brokerage representatives with FWS. As registered representatives, employees of FWS may receive separate yet typical compensation in the form of commissions for the purchase of securities products through their employing brokerage firm, as well as for the sale of insurance products. This arrangement creates a conflict of interest between the advisor and the client, as the advisor has a financial incentive to trade more frequently in the advisory client's account.

## **Performance Based Fees and Side-by-Side Management**

FWS does not charge performance fees. FWS advisors do provide brokerage services to clients that are not advisory clients. FWS does not engage in principal trading, underwriting, or market making, so this arrangement does not create material conflicts of interest between advisory clients and clients that only brokerage clients of the FWS representative. FWS will occasionally make use of other advisory firms in a solicitation or co-management situation.

Solicitation arrangement means that the Client will then enter into an advisory agreement with a third party money manager, authorizing them to assist and advise the client in establishing investment objectives and develop an investment strategy to meet those objectives by identifying appropriate investments and monitoring such investments. Currently, FWS has solicitation arrangements with Portfolio Strategies, Inc., Clark, Lanzen, Skalla Investment Firm LLC, and Wells Fargo Advisors, LLC. The third party money manager will receive an investment advisory fee in accordance with the arrangement that the client enters into with the solicited advisor. FWS will receive a portion of the investment advisory fee for the solicitation and referral of the client to the third party manager, and may assist the client in completing their client questionnaire and account opening paperwork. The client will not pay additional fees for the solicitor's services. FWS may also assist in the development of the initial policy recommendations and managing the ongoing client relationship.

The Client, prior to entering into an agreement with a third party money manager selected by FWS, will be provided with that manager's Form ADV Part 2 or a brochure that makes the appropriate disclosures. The client shall also be provided with a solicitation disclosure by FWS and the third party manager.

## **Types of Clients**

FWS provides investment advice to individuals, corporations, profit sharing plans, institutions or business entities other than those listed above. The overwhelming majority of our clients are individuals. Some of these individuals are considered to be "high net worth individuals", but FWS does not specifically market to or target our services to high net worth individuals.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The advisor practices custom management of portfolios according to the client's objectives. The advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The primary risk of this strategy is that the tactical allocation may diverge from strategic market direction or trends. A secondary risk that sectors or asset classes that receive our tactical allocations do not perform as anticipated. FWS investment strategy does not involve unusual types of risks. Our primary investment methodology will expose the client to market risk, economic risk, and volatility risk. We normally are able to eliminate or minimize interest rate risk, liquidity risk, and issuer risk.

The advisor uses exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, CDs, variable life insurance, variable annuities, municipal securities, mutual funds, United States government securities, options in securities, and Interest in partnerships investing in real estate and oil and gas interests to implement the tactical allocations.

If mutual funds are used to implement the tactical allocation, the advisor measures and selects mutual funds by using various criteria, such as the fund manager's tenure, and/or overall career performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the 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 client, or any risk deemed unacceptable for the client's risk tolerance.

While FWS seeks to maximize return at acceptable levels of risk, all investing involves some risk, including the risk of losing of some or the entire invested principal.

## **Disciplinary Information**

In July of 2007, FWS was notified it failed to properly file the U4's with the Texas State Securities Board for registration of Investment Advisor Representatives. FWS was also found to have failed to properly maintain its Written Supervisory Procedures regarding the activities of its Investment Advisor Representatives. FWS amended its Supervisory Procedures and was reprimanded and fined \$8000.00.

## **Other Financial Industry Activities and Affiliations**

The principal business of FWS is as a broker dealer by the same name, First Western Securities, Inc., a FINRA member broker-dealer. FWS spends 80% of its time on broker-dealer business. All Investment Advisor Representatives for FWS are also registered representatives with First Western Securities, Inc. As discussed previously, advisory representatives will receive brokerage compensation in the form of commissions for securities trades done through FWS. Advisory clients do have the option of implementing advisory recommendations through another broker.

Investment Advisor Representatives for FWS will sell life, health and long term care insurance products and will spend approximately 10% of their time on insurance related business. Therefore, they will be able to purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. Clients are not obligated to use FWS for insurance products services. In such instances, there is no advisory fee associated with these insurance products.

## **Code of Ethics:**

FWS maintains a code of ethics and they will provide a copy to any client or prospective client upon request.

Registered Representative, where acting in the capacity of a registered representative, investment advisory representatives of FWS may as broker or agent effect securities transactions for typical and customary compensation. Clients are not obligated to use advisory representatives of the FWS to execute such securities transactions.

As described above, First Western Securities, Inc. (which is an affiliated broker dealer) acts as an introducing broker for clients of FWS to First Clearing for execution and clearance. FWS may also purchase products from First Western Securities, Inc. Clients are not obligated to purchase products and services from FWS's affiliated broker dealer. FWS will receive usually and customary compensation in the form of commissions for any trades executed through First Western Securities, Inc.

**Transactions and Personal Trading:** FWS and/or its advisory representatives may from time to time purchase or sell products that they may recommend to clients. FWS has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of FWS deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of FWS are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. FWS 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.

The firm does not make markets or engage in principal trading. FWS does not perform firm commitment underwriting. Therefore, the firm does not have a direct financial interest in the advisory recommendations made or bought for advisory clients on a discretionary basis. Advisory representatives are strictly prohibited from advising that clients invest in companies in which the advisor has material ownership.

## **Brokerage Practices**

In addition to its advisory activities, FWS is a FINRA member brokerage firm that introduces clients to First Clearing on a fully disclosed basis. FWS does recommend to its Advisory clients that they use FWS as its broker, with First Clearing as the custodial and clearing broker for the advisory client's account. The client has the option to execute the advisor's recommendations through another broker at all times.

We choose to recommend our affiliated broker and the clearing firm due to the existence of the relationship, the ability to make rapid changes in client accounts (should market conditions warrant), familiarity with the trade and account management systems by FWS personnel, and ease of account review.

FWS does not receive any hard or soft dollar benefits from this arrangement. FWS is not involved in any directed brokerage arrangements. FWS does not receive compensation for introducing clients to First Clearing.

## **Review of Accounts**

Advisory services include review and monitoring of your account. We will provide you with periodic performance review and reporting based on the information on our records, and ongoing comparisons with selected industry indices or benchmarks.

Our performance reviews are performed by the branch manager and account transactions are reviewed daily.

## **Client Referrals and Other Compensation**

FWS currently does not receive any other form of direct compensation for providing advisory services to our clients beyond the advisory fees charged to our clients. We do not use solicitors to refer advisory clients to us. Currently, FWS does not receive any indirect compensation in the form of services or discounted brokerage rates (“soft dollars”) in connection with our advisory services. In the future, if FWS were to receive softy dollars for recommending a particular broker, which may result in the client paying higher commissions than those obtainable through other brokers, FWS will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934.

Trading commissions may be used as soft dollars provided that:

- The service is primarily for the benefit of FWS’s clients
- The commission rates are competitive with rates paid by FWS to comparable brokers; and
- FWS does not guarantee a minimum amount of commissions to any broker dealer.

Under these provisions, FWS purchases products or services that include third party research, execution services, order managements, services, market data, etc. Where applicable, FWS determines a mixed-use allocation between hard and soft dollars when these services are used for non-research services, including, but not limited to administration, sales, or marketing.

Mutual Fund/12b-1Fees:

FWS normally will use advisor class shares when placing mutual fund investments for its clients. These shares pay no or minimal distribution fees to the advisor. The fund managers do charge management and advisory fees of their own on the participants of the fund and FWS has no control over the charges that a mutual fund manager may charge. Fund expense ratios are a consideration in identifying mutual funds to recommend or purchase for our clients. FWS does not receive additional direct or indirect compensation from any fund manager.

## **Custody**

FWS does not take custody of any client funds or securities. All client funds and securities are held at brokerage firms the FWS recommends or that the client selects. The custodial brokers provide statements to clients monthly or quarterly, depending on activity.

## **Investment Discretion**

FWS generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by FWS.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client’s execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by FWS will be in accordance with each client’s investment objectives and goals.



FWS recommends the broker or dealer for custodial and execution services. FWS recommends the broker/dealer to be used based on execution and custodial services offered, cost, quality of service and industry reputation. FWS does not have the ability to dictate minimum commissions or ticket charges.

## **Voting Client Securities**

FWS does not vote proxies for securities owned by advisory clients. Should FWS change this policy in the future; the voting of proxies will only be done as permitted by SEC Rule 206(4)-6. This means that we will:

- a. Adopt and implement written policies and procedures that are reasonably designed to ensure that FWS votes client securities in the best interest of clients, which procedures must include how we address material conflicts that may arise between our interests and those of our clients;
- b. Disclose to clients how they may obtain information from us about how we voted with respect to their securities; and
- c. Describe to clients your proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures to the requesting client.

## **Financial Information**

FWS had no financial condition that is likely to impair our ability to meet our contractual commitments of clients.

## **Requirements for State-Registered Advisors**

FWS is currently registered with the SEC.