

**Part 2A of Form ADV: Firm Financial Investments, Inc.**

Item 1 Cover Page



Firm Brochure  
(Part 2A of Form ADV)  
**Financial Investments, Inc. (FII)**  
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This brochure provides information about the qualifications and business Practices of Financial Investments, Inc. (FII). If you have any questions about the contents of this brochure, please contact us at: 703-435-2777, or by email

At: [info@financialii.com](mailto:info@financialii.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 Financial Investments, Inc. (FII) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

January 8, 2015

**Financial Investments, Inc. (FII)**

**Item 2: Material Changes**

**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.

**Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” Format. The new final rule specifies mandatory sections and organization.

**Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 703-435-2777 or by email at: [info@financialii.com](mailto:info@financialii.com)

**Financial Investments, Inc. (FII)**

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**Item 4: Advisory Business**

Firm Description

Financial Investments, Inc. (FII), (“FII”) was founded in 2003 by Craig B. Kendall. FII 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.

FII is a fee based financial planning and investment management firm. The firm does not sell annuities and/or products. The firm solely provide investment advise with regards to various no load mutual fund investment products.

Investment advice is provided, with the client making the final decision on investment selection. FII 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 or risk analysis. 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.

Types of Advisory Services

ASSET MANAGEMENT

FII offers discretionary direct asset management services to advisory clients. FII 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. The client will authorize FII discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

### Investment Planning

- Analysis of current investment portfolio
- recommend investment products
- impact of investment expenses, taxes, inflation and withdrawals on long-term returns
- recommend on how to implement asset allocation plan
- Basing recommendations on, but not limited to client's need for current income, tax bracket and withdrawals and deposits.

### FINANCIAL PLANNING AND CONSULTING

If financial planning services are applicable, the client will compensate FII on an hourly or fixed fee basis described in detail under “Fees and Compensation” section of this brochure. Services include but are not limited to a thorough review of all applicable topics including Wills, Estate Plan/Trusts, Investments, Taxes, and Insurance. If conflict of interest exists between the interests of the investment advisor and the interests of the client, the client is under no obligation to act upon the investment advisor’s recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through Financial plans will be completed and delivered inside of 6 months. Clients may terminate advisory services with 30 days written notice.

### 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.

### Wrap Fee Programs

FII does not participate in wrap fee programs.

### Client Assets under Management

As of December 31, 2014 FII has \$2,435,536 client assets under management.

**Item 5: Fees and Compensation**

Financial Investments, Inc. (FII)

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

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



## **Method of Compensation and Fee Schedule**

FII bases its fees only as a percentage of assets under management.

### **ASSET MANAGEMENT**

FII offers discretionary direct asset management services to advisory clients. FII 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	Quarterly	Monthly	Fee
Up to \$500,000		2.00%		
Over \$500,001		1.75		

The annual Fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in advance 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. If client cancels mid quarter, client will be entitled to a prorated refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees.

## Client Payment of Fees

Asset management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has started. 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.

## Additional Client Fees Charged

Clients may be charged additional transactions fees relating to investments. These fees may include custodial fees for pre-tax retirement accounts. Investing in mutual funds will include an entry and exit transaction cost no greater than \$15 per transaction. FII receives no income from transaction costs.

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

**Item 6: Performance-Based Fees**

Sharing of Capital Gains

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

FII 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*

**Item 7: Types of Clients**

Description

FII 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.

Account Minimums

FII does not require a minimum to open an account.

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

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

#### 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 materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

#### 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, trading, and option writing (including covered options, uncovered options or spreading strategies).

#### 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

### **Item 9: Disciplinary Information Criminal or Civil Actions**

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

#### Administrative Enforcement Proceedings

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

#### Self Regulatory Organization Enforcement Proceedings

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

#### Disclosure of Material Facts Related to Arbitration or Disciplinary Actions

In March 2010, the CFTC filed a complaint in the U.S. District Court for the Eastern District of Virginia charging FII with failing to distribute and file its commodity pool's annual reports in a timely manner for the years 2004 through 2006. FII and the CFTC settled this matter May 2010 for a civil monetary penalty of one-hundred and thirty thousand dollars (\$130,000).

On February 10, 2011, NFA issued a Complaint charging FCI and Kendall with using deceptive and misleading promotional material and failing to supervise. The Complaint also charged FCI with using promotional material which was required to be pre-approved by NFA prior to first use but was not. The NFA and FCI settled this matter in May 2011 for a fine of fifty thousand dollars (\$50,000) and the agreement to have all promotional material reviewed by NFA prior to first use for two years.

## Item 10 Other Financial Industry Activities and Affiliations

Craig B. Kendall is a CPA as is a member in good standing with the Virginia Society of CPAs. Mr. Kendall also maintains his CPA license in good standing with Virginia licensing authority.

Mr. Kendall also has a CPA business known as Kendall & Company, CPA's. Mr. Kendall does a limited amount of tax and accounting business consulting services to closely held businesses and individuals. Fees for services are charged on an hourly rate.

Mr. Kendall is also maintains his Commodity License, which is known as a Series 3 license with the Commodities Futures Trading Commission (CFTC). The self regulating overseeing organization for the commodities industry is the National Futures Association (NFA). Mr. Kendall's affiliated entity Financial Commodity Investments (FCI) is a member of the NFA. Mr. Kendall is also a member with the NFA.

FII is registered with the NASDAQ and provides equity investment consulting services. Mr. Kendall maintains his Series 6, 63, and 65 licenses with FII. FII is affiliated with the broker dealer firm TD Ameritrade and currently executes all mutual fund transactions on behalf of clients with TD Ameritrade.

Clients are informed of the various entities. Clients are also presented presented only those entity services should the client request these specific services.



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

FII is committed to operate with high ethical standards and is dedicated to meeting the requirements of the Statement of Acceptable Practices as issued by the NASDAQ and the CFTC. FII will treat all current and potential customers in a just and equitable manner and FII believes that professional ethics training programs are essential to FII fitness. FII believes that in order to be successful and provide our customers with the best possible service, our firm is yearly reviewed by an outside consulting firm known as Compliance Services, Inc. This provides advice and a report detailing observations and suggestions for improving our business in servicing our clients first and foremost. Documentation will be detailed should there be any conflict of interest between client accounts and personal trading accounts. Many times, advice given to clients, is the same advice and investment actions executed on behalf of the owner of the business, Mr. Kendall. Should adjustments need to be made on client accounts, transactions are first executed in clients and then subsequently in Mr. Kendall's accounts. Never is a conflicting transaction done on client accounts, opposite a proprietary account.

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

Code of Ethics Description

The employees of FII have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Investment Recommendations Involving a Material Financial Interest and Conflict of Interest

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

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

FII and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

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

The Chief Compliance Officer of FII is Craig Kendall. 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.

## Item 12 Brokerage Practices

### **Item 12: Brokerage Practices**

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

FII currently only recommends the use TD Ameritrade as the broker-dealer. FII relies on its broker to provide its execution services at the best prices available. Clients pay for any and all custodial fees in addition to the advisory fee charged by FII. At this time, FII will not accept the client unless TD Ameritrade is used as the broker-dealer.

- **Directed Brokerage**

In circumstances where a client directs FII to use TD Ameritrade, FII still maintains its fiduciary duty to its clients. The following may apply with Directed Brokerage: FII'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. FII reviews the execution of trades at each custodian each quarter.

- **Soft Dollar Arrangements**

FII has no soft dollar arrangements.

#### Aggregating Securities Transactions for Client Accounts

FII is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of FII. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

## Item 13 Review of Accounts

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

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

Written account reviews are performed quarterly consisting of QTD and YTD position and returns in an account by advisor Craig B. Kendall, Chief Compliance Officer. Account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client. A review is done only upon request of client.

#### 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.

#### Content of Client Provided Reports and Frequency

Clients receive written 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

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

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

FII does not receive any economic benefits from external sources.

Advisory Firm Payments for Client Referrals

FII does not compensate for client referrals.

## **Item 15: Custody**

### 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 FII.

## Item 16 Investment Discretion

### **Item 16: Investment Discretion**

#### Discretionary Authority for Trading

FII accepts discretionary authority to manage securities accounts on behalf of clients. FII in each instance, obtains a signed copy of a limited “Power of Attorney” POA, authorizing the execution of the purchase and sale of mutual funds on behalf of the client.

FII has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

However, FII consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. FII does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

FII only provides services to clients through the broker dealer, TD Ameritrade. Clients open an account with TD Ameritrade. At this time, FII does not affiliate with any other BD arrangement.

Item 17 Voting *Client* Securities

**Item 17: Voting Client Securities**

Proxy Votes

FII 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, FII will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.



## Item 18 Financial Information

### **Item 18: Financial Information**

#### Balance Sheet

A balance sheet is not required to be provided because FII does not serve as a custodian for client funds or securities and FII does not require prepayment of fees of more than \$500 per client and six months or more in advance.

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

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

#### Bankruptcy Petitions during the Past Ten Years

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

Item 19 Requirements for State-Registered Advisers

**Item 19: Requirements for State Registered Advisers**

Please see Part 2B Brochure Supplement



Brochure Supplement  
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Brochure Supplement  
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At: [info@financialii.com](mailto:info@financialii.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.

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January 08, 2014

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

### Supervised Person Brochure

#### Principal Executive Officers and Management Persons

Craig B. Kendall is the President and owner of Kendall & Company, CPA's, a local CPA accounting firm. Kendall & Company provides, comprehensive, CPA, tax, accounting, and "Controller for Hire" services to small closely held corporations and individuals.

Date of Birth: January 8, 1956

Craig B. Kendall is also the President and owner of Financial Investments, Inc. (FII).

FII provides comprehensive, financial planning, tax, and estate planning services. These services include completion of a series of input forms, and questionnaires tailored to quantify and evaluate the client's personal financial objectives, comfort levels to risk, as well as further define specific anticipated future financial needs. Using pre-packaged software, various reports, and graphs can be generated, detailing a guideline for the financial direction that the client should take regarding the allocation of financial resources.

Craig B. Kendall is also the President and owner of Financial Commodity Investments (FCI). FCI is a registered Commodity Trading Advisor (CTA) with the National Futures Association (NFA) providing investment management advice with commodities and commodity option contracts.

#### Performance Based Fee Description

No Performance Based Fees

#### Disclosure of Material Facts Related to Arbitration or Disciplinary Actions

On February 10, 2011, NFA issued a Complaint charging FCI and Kendall with using deceptive and misleading promotional material and failing to supervise. The Complaint also charged FCI with using promotional material which was required to be pre-approved by NFA prior to first use but was not. The matter has been

resolved whereby FCI paid \$50,000 and has agreed to submit all promotional material for review prior to presenting to the public.

**Material Relationship Maintained by this Advisory Business or Management persons with Issuers of Securities**

None to report