

# J. F. Lehman Investment Advisory Services Client Brochure

*This brochure provides information about the qualifications and business practices of J. F. Lehman Investment Advisory Services. If you have any questions about the contents of this brochure, please feel free to contact us at (989) 832-2522 or by email at: [jack@jflehman.net](mailto:jack@jflehman.net). 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 J. F. Lehman Investment Advisory Services is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). J. F. Lehman Investment Advisory Services' CRD number is: 122513*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from J. F. Lehman Investment Advisory Services' last annual filing on February 22, 2011.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since December 1, 1989, and the principal owner is John Freeman Lehman.

### B. Types of Advisory Services

J. F. Lehman Investment Advisory Services (hereinafter “JFL”) offers the following services to advisory clients:

#### *Investment Supervisory Services*

JFL offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. For ERISA Plans, JFL creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client’s specific situation. For non-ERISA Plans the prior process is identical however a formal Investment Policy Statement is not done, rather the information is maintained in the client file notes. Investment Supervisory Services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

JFL evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the client file notes, and confirmed with each client.

#### *Services Limited to Specific Types of Investments*

JFL limits management supervisory services to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, and government securities. JFL may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

JFL offers the same suite of services to all of its clients. However, specific client portfolio recommendations and their implementation are dependent upon the client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent JFL from properly servicing the client account, or if the restrictions would require JFL to deviate from its standard suite of services, JFL reserves the right to end the relationship.

### **D. Wrap Fee Programs**

JFL does not participate in any wrap fee programs.

### **E. Amounts Under Management**

JFL has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$0.00	\$65,149,250.24	11/30/2011

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Investment Supervisory Services Fees***

These fees are negotiable and depend on the size of the account. The basic fee schedule is 1% per year of the client's portfolio value up to \$200,000, and 0.80% - 0.85% of the value above \$200,000. Fees are paid every four months in arrears, and clients may terminate their contracts with thirty days' written notice. JFL also has some client accounts that are reviewed and billed every 5 months, 6 months, 7 months, 8 months, 9 months, 10 months, 11 months, 12 months. All fees are paid in arrears. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate the services without penalty at any time. Some advisory fees are withdrawn directly from the client's accounts with client written authorization.

### **B. Payment of Fees**

#### ***Payment of Investment Supervisory Fees***

Some advisors fees are paid in check and others are withdrawn directly from the client's accounts with client written authorization. Fees are paid in arrears.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by JFL. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

JFL collects its fees in arrears. It does not collect fees in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither JFL nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

JFL does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

JFL generally provides management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations

### *Minimum Account Size*

There is an account minimum size of \$20,000 which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

JFL's methods of analysis include fundamental analysis and cyclical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

JFL uses Long Term Trading, Short Term Trading, and Margin Transactions.

JFL utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Margin transactions writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.



Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

### **C. Risks of Specific Securities Utilized**

JFL generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither JFL nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither JFL nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither JFL nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

JFL does not utilize nor select other advisors or third party managers. All assets are managed by JFL management.

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

JFL does not recommend that clients buy or sell any security in which a related person to JFL has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of JFL may buy or sell securities for themselves that they also recommend to clients. JFL will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of JFL may buy or sell securities for themselves at or around the same time as clients. JFL will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients if the trades will affect the securities prices. We typically trade liquid securities whose prices cannot be affected by our low volume of trading activity.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. JFL will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

### ***1. Research and Other Soft-Dollar Benefits***

JFL receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

### ***2. Brokerage for Client Referrals***

JFL receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

JFL allows clients to direct brokerage. JFL may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost client's money because the broker selected by the client may charge higher brokerage commissions and have less favorable prices.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

JFL maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least annually depending on the size of the client portfolio with most being tri-annually, only by John Freeman Lehman, Owner. However, all client securities are monitored continuously and if one security needs to be sold it is done so after obtaining client consent. John Freeman Lehman is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at JFL are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, a need for cash, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least annually, with most being tri-annually, a written report detailing the clients account performance.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

JFL does not receive any economic benefit, directly or indirectly from any third party for advice rendered to JFL clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

JFL does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

JFL does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the custodian. Clients will receive account statements from the custodian and should carefully review those statements. From time to time, JFL may accept client checks to be forwarded to the appropriate custodian. For these instances of incidental custody, JFL has implemented policies and procedures to ensure proper documentation and security measures are taken.

## **Item 16: Investment Discretion**

JFL does not have discretion over client accounts at any time.

## **Item 17: Voting Client Securities (Proxy Voting)**

JFL will accept voting authority for client securities in certain cases. When JFL does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. JFL does not maintain preapproved voting guidelines but votes proxies on a case by case basis to determine the appropriate course of action in voting client securities that is in the best interest of the client. Clients may direct JFL on how to vote client securities by communicating their wishes in writing or electronically to JFL. When voting client proxies JFL will always hold the interests of the clients above its own interests. Clients of JFL may obtain the voting record of

JFL on client securities by contacting JFL at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of JFL' proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

JFL does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither JFL nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

JFL has not been the subject of a bankruptcy petition in the last ten years.