

Jacobs & Company

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August 31, 2012

This brochure provides information about the qualifications and business practices of Jacobs & Company. If you have any questions about the contents of this brochure, please contact us at 304.342.3535 or info@jacobsandcompany.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 Jacobs & Company also is available on the SEC's website at www.adviserinfo.sec.gov.

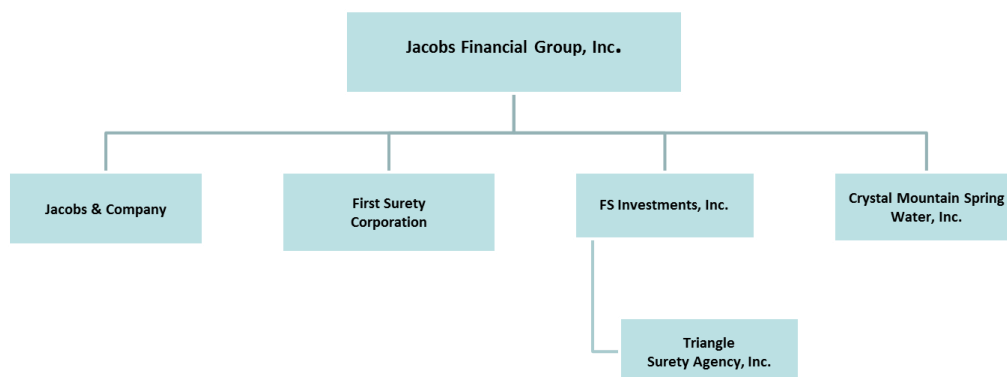
1. **Material Changes** – Clarifies that there are no referral arrangements by removing references to referral fees.

Table of Contents

ADVISORY BUSINESS	ERROR! BOOKMARK NOT DEFINED.
FEES AND COMPENSATION	ERROR! BOOKMARK NOT DEFINED.
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	ERROR! BOOKMARK NOT DEFINED.
TYPES OF CLIENTS.....	ERROR! BOOKMARK NOT DEFINED.
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	ERROR! BOOKMARK NOT DEFINED.
DISCIPLINARY INFORMATION	ERROR! BOOKMARK NOT DEFINED.
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	ERROR! BOOKMARK NOT DEFINED.
CODE OF ETHICS, PARTICIPATION OR INTEREST IN <i>CLIENT</i> TRANSACTIONS AND PERSONAL TRADING ...	ERROR! BOOKMARK NOT DEFINED.
BROKERAGE PRACTICES	ERROR! BOOKMARK NOT DEFINED.
REVIEW OF ACCOUNTS.....	ERROR! BOOKMARK NOT DEFINED.
CLIENT REFERRALS AND OTHER COMPENSATION.....	ERROR! BOOKMARK NOT DEFINED.
CUSTODY.....	ERROR! BOOKMARK NOT DEFINED.
INVESTMENT DISCRETION.....	ERROR! BOOKMARK NOT DEFINED.
VOTING CLIENT SECURITIES	ERROR! BOOKMARK NOT DEFINED.
FINANCIAL INFORMATION	ERROR! BOOKMARK NOT DEFINED.
OTHER DISCLOSURES.....	ERROR! BOOKMARK NOT DEFINED.

2. Advisory Business

A. **Owners** - Jacobs & Company (sometimes “Advisor” or the “Firm”) is a registered investment advisor in the states of West Virginia, Florida, Ohio, and New Jersey.^{1 2} The Firm has been registered with the Securities and Exchange Commission since 1988. The Firm is a wholly owned subsidiary of Jacobs Financial Group, Inc. (OTCBB: JFGI). Other subsidiaries of JFGI are First Surety Corporation, a West Virginia domiciled surety, and Triangle Surety Agency, which provides insurance brokerage services.



B. **Types of Advisory Services** - Jacobs & Company is dedicated to providing personalized service for individuals, corporations, trusts, and other entities requiring professional management of their financial portfolios. In recognition of the varying needs of each client, the Advisor provides investment advice for a broad array of investment securities including United States government securities, municipal securities, corporate debt securities (other than commercial paper), equity securities (exchange-listed and securities traded over-the-counter), options contracts on equity securities (covered calls) and certificates of deposit. Consistent with our strong commitment to a personalized approach to investment management, we select investment strategies in accordance with the varying needs of each client, taking into account the client’s comfort with risk, preservation of principal, need for income, growth, capital appreciation and other factors. The Advisor provides investment supervisory services and furnishes investment advice through consultations.

C. **Types of Clients** - Jacobs & Company provides personalized service for individuals, corporations, trusts, and other entities requiring professional management of their financial portfolios. We select investment strategies in accordance with the varying

¹ “Registered” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the SEC or any state regulator guarantees the quality of our services or recommends them.

² Registration has been applied for. The Firm is switching registration from the SEC.

needs of each client, taking into account the client's comfort with risk, preservation of principal, need for income, growth and capital appreciation, and other factors, including client sensitivities on investing in certain securities or types of securities.

D. Wrap Fee Programs - We do not provide or participate in wrap fee programs.

E. Assets Under Management - As of May 31, 2012 we managed client's assets of \$28,830,623 on a discretionary basis. There are no assets managed on a non-discretionary basis.

3. Fees and Compensation

A. For investment supervisory services, the Firm's customary fee shall be calculated based upon the market value of assets of client's account as of the last business day of each calendar quarter as reflected in the Firm's books and records. The fees shall become due and payable at the end of each calendar quarter, i.e., on March 31, June 30, September 30 and December 31.

B. The annual fee for investment supervisory services for fixed income accounts shall be calculated at the following rate:

- (i) 1.00% of the market value for the first \$2,500,000
- (ii) 0.80% of the market value for the next \$2,500,000
- (iii) 0.60% of the market value for the next \$5,000,000
- (iv) 0.50% of the market value in excess of \$10,000,000

C. The annual fee for investment supervisory services for equity and balanced accounts shall be calculated at the following rate:

- (i) 1.50% of the market value for the first \$ 2,500,000
- (ii) 1.25% of the market value for the next \$ 2,500,000
- (iii) 1.00% of the market value for the next \$ 5,000,000
- (iv) .75% of the market value in excess of \$ 10,000,000

D. The annual fee for investment supervisory services for cash equivalent accounts, i.e., accounts in which investments are restricted to investment grade fixed income securities with remaining maturities of less than one year shall be calculated at the following rate:

- (i) 0.25% of the market value for the first \$5,000,000
- (ii) 0.20% of the market value for the next \$20,000,000
- (iii) 0.15% of the market value in excess of \$25,000,000

E. For the time period between the date an investment advisory agreement is entered into and the first regular quarterly fee calculation date, the fee will be calculated on a pro-

rata basis. In the event that an investment advisory agreement is terminated at other than the end of a calendar quarter, a final fee, based on application of the above formula to the market value of assets in the account during that calendar quarter as of the date of termination, shall become due immediately.

- F. Upon termination of an investment advisory agreement or if fees are due and owing for more than 30 days following the end of any calendar quarter, we will assess fees against the assets of the client's account. The client will be responsible for all expenses incurred in connection with transactions on its account, other than usual office expenses of the Advisor, including, without limitation, brokerage commissions, dealer fees and custodian fees. We may negotiate fee arrangements different from those described above when, in the Firm's judgment, special or unusual circumstances with respect to the client justify such arrangements.
- G. Other Investment Advice - For other investment advice, which may include financial planning, the Advisor will charge a flat fee of \$150.00 per hour. We reserve the right to modify this fee when in our judgment special or unusual circumstances with respect to the client justify a different fee arrangement.
- H. For investment supervisory services, the fees shall become due and payable at the end of each calendar quarter, i.e., on March 31, June 30, September 30 and December 31. The Firm's fee typically shall be deducted from the client's account within five business days following the last day of each calendar quarter. With prior arrangement the Firm will submit an invoice to the client for payment by check.
- I. Clients may incur additional fees in connection with their advisory services imposed by custodians and other third parties, such as custodian fees, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts. Clients may also incur brokerage commission and other transaction costs. All of these charges, commissions and fees are in addition to the Firm's investment management fee. For further discussion of brokerage, please see Item 12 for our discussion of brokerage.
- J. Investment management fees are paid in arrears, not in advance. If an advisory contract is terminated before the end of the billing period, the fee will be determined on a pro-rata basis for days of management on a 30/360 basis.
- K. Neither the Firm nor its employees receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

4. Performance-Based Fees and Side-By-Side Management

The Firm does not receive performance-based fees, i.e. fees based on a share of capital gains on or capital appreciation of the assets of a client.

5. Types of Clients

Jacobs & Company provides personalized service for individuals, corporations, trusts, and other entities requiring professional management of their financial portfolios. We select investment strategies in accordance with the varying needs of each client, taking into account the client's comfort with risk, preservation of capital, need for income, growth and capital appreciation, and other factors, including client sensitivities on investing in certain securities or types of securities. The Advisor has established \$250,000 as the minimum balance necessary to initiate an investment advisory account. We may consider establishing an account with a lower amount when, in solely our judgment, special or unusual circumstances and/or the investment objectives of the client justify such arrangements.

6. Methods of Analysis, Investment Strategies and Risk of Loss

- A.** The Firm's security analysis methods include Charting, Fundamental, Technical and Cyclical analysis. The investment strategies used to implement any investment advice given to clients include Long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), margin transactions and covered call option writing.
- B.** All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

7. Disciplinary Information

The Firm has no disciplinary history or events and consequently is not subject to any disciplinary disclosure.

8. Other Financial Industry Activities and Affiliations

- A.** The Advisor and an affiliated company, FS Investments, Inc., are wholly owned subsidiaries of Jacobs Financial Group, Inc. ("JFG"). FS Investments is the parent company of Triangle Surety Agency, Inc. ("Triangle"). The Advisor, JFG and Triangle share office space, staff and equipment, and each bear its allocable share of such costs.
- B.** First Surety Corporation ("FSC"), also a wholly owned subsidiary of JFG, is an insurer specializing in collateralized surety bonding that utilizes Triangle as General Agent. FSC collateral accounts are referred by Triangle to the Advisor. Such referral arrangements are at arms-length and involve no compensation.

- C. The Advisor is a wholly owned subsidiary of Jacobs Financial Group, Inc. (JFGI), a public company registered with and regulated by the Securities and Exchange Commission (SEC) and trades over the counter under the ticker symbol "JFGI". JFGI files quarterly financial information with the SEC.

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

The Firm has adopted a Code of Ethics pursuant to SEC rule 204A-1 to affirm that it is policy that all employees place the interests of the clients before their own personal interests. The Firm has established procedures for the detection and prevention of activities if employees abuse their fiduciary duties to the clients of the Advisor, including with respect to personal securities transactions. Clients may obtain a copy of the Jacobs & Company Code of Ethics by written request.

10. Brokerage Practices

- A. The Advisor is generally authorized to determine the broker or dealer to be used for each securities transaction. The Advisor will utilize an internal Brokerage Committee to gather information and adopt a scoring system to rank broker-dealers for inclusion to the Jacobs & Company Approved Broker List. This information should include, among other factors:
 - (i) The cost per trade or per share;
 - (ii) Whether a broker will put up its own capital to assist in assembling a trade;
 - (iii) Whether a broker or other facility will do "non-traditional" trades;
 - (iv) The research provided, if any;
 - (v) Access to New Issues (if this is an issue for the adviser's clients); and
 - (vi) Soft-dollar services other than research, along with the quality and cost(s) of those services.
- B. The findings of the Brokerage Committee from time to time will be used to add/delete brokers to/from the Approved Brokers List and the Advisor may use any broker on the Approved Brokers List to effect a trade. In making any such determination, we may consider a number of factors including, without limitation,
 - (i) The price (including the applicable brokerage commission or dealer spread;
 - (ii) Size of the order;
 - (iii) Nature of the market for the security;
 - (iv) Timing of the transaction;
 - (v) The financial strength and stability of the broker;
 - (vi) The efficiency with which the transaction is effected;
 - (vii) The ability to effect the transaction where a large block or other complicating factors are involved;
 - (viii) The availability of the broker to stand ready to execute possible difficult transactions in the future; and,
 - (ix) The research provided.

- C. We may allocate brokerage transactions to broker-dealers that provide research and other services, even though such broker-dealer may charge commissions which exceed those other broker-dealers may have charged for the same transactions. Such allocations may occur to the extent that the Advisor views the commissions as reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or the Advisor's overall responsibilities with respect to the accounts for which it exercises discretion, without any requirement to demonstrate that any such factor is of a direct benefit to the Client.
- D. In the event that orders for the same security for various client accounts are placed with the same broker, the Advisor may aggregate or "bunch" such orders. The Advisor believes that larger limit orders generally receive greater attention from traders and should, on average, slightly reduce execution costs. We will generally seek to aggregate orders when it believes such aggregation may result in better execution (including better execution prices) for its clients. We will not aggregate orders if, in a particular instance, we believe that aggregation would cause our clients' costs of execution to be increased. In the event of simultaneous transactions, purchases and sales are allocated so that no client will be treated less favorably than other clients advised by the Firm. While in some cases this could have a detrimental effect upon the price or value of a security for a client, or upon our ability to complete an entire order, in other cases coordination and the ability to participate in volume transactions will be beneficial to the client.
- E. In general, transactions that are deemed appropriate for more than one client are allocated pro rata in accordance with the relative net assets under management (subject to rounding), after taking into account the investment objectives and relative liquidity of each client and the security in question.
- F. New issue securities are allocated among eligible client accounts based on the following criteria: (1) the size of the accounts, (2) the volume of securities transactions in the accounts, (3) the relative performance of the accounts, (4) the length of the client relationship with the Advisor, and (5) the investment objectives of the accounts. It is our objective that such allocations shall be fair and equitable as among eligible client accounts over time, but eligible client accounts shall not be entitled to receive, and shall not necessarily receive, an allocation of any given New Issue at any given time and, when received, such allocations shall not necessarily be in proportion to the size of the account. Different criteria for allocation may be weighted differently at different times in the sole judgment of the Advisor.

11. Review of Accounts

- A. Client accounts will be reviewed for meeting investment objectives, cash accumulation and other parameters. The reviewers of the accounts will be John M. Jacobs, the Firm's

President and Portfolio Manager, and Robert J. Kenney, Assistant Portfolio Manager. The accounts will be monitored daily.

- B. At periodic times, when it is deemed necessary and upon the request of the client, there will be conferences with the client on a one-on-one basis.
- C. All clients will receive original execution orders for each transaction made. All clients will receive original monthly statements from the brokerage houses or the custodian of their securities and funds.

12. Client Referrals and Other Compensation

The Advisor may enter into arrangements with respect to payments of cash for client solicitations only in strict compliance with Rule 206(4)-3. Payments shall only be made pursuant to a written agreement in the form of the client referral agreement provided by counsel and the terms of such form shall not be varied without first consulting with counsel to assure compliance with the Rule.

13. Custody

The Advisor does not have custody of client accounts. Clients will receive quarterly account statements directly from the qualified custodian. You should carefully review those statements. The Advisor will also receive a copy of your statement.

14. Investment Discretion

We manage securities accounts on behalf of clients on a discretionary basis. Clients grant the Advisor discretionary authority for investment decisions under the terms of the Advisor's Investment Management Agreement.

15. Voting Client Securities

- A. The Advisor has adopted proxy voting policies and procedures which underscore our concern that all proxy voting decisions be made in the best interests of the firm's clients. Unless a client (including a "named fiduciary" under ERISA) specifically grants to the Advisor the right, in writing, to vote proxies or to take shareholder actions for the securities held in its account, the Advisor will take such action as necessary to assure that the custodian of the account forwards all proxy and corporation action materials directly to the client.
- B. For cases where the client specifically delegates proxy voting authority to the Advisor, a general statement of voting policy and specific voting positions has been established by the Advisor. This policy is intended to serve as a guideline and to further the economic value of each security held by such client accounts. However, each proxy is considered individually, taking into account the relevant circumstances at the time of each vote. Where a proxy proposal raises a material conflict between the Advisor's interests and the client's interests, the Advisor will resolve the conflict by voting in accordance with the policy guidelines or at the client's directive using the recommendation of an independent third party. If the third party's recommendations are not received in a

timely fashion, the Advisor will abstain from voting the securities held by that client's account.

- C. Clients who have vested the Advisor with discretion and authority to vote proxies may obtain information on how their securities were voted, as well as a copy of our proxy voting procedures, by written request addressed to the Advisor.

16. Financial Information

- A. The Advisor does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. The Advisor has not been the subject of a bankruptcy petition at any time during the past ten years.
- B. The Advisor is a wholly owned subsidiary of Jacobs Financial Group, Inc. (JFGI), a public company registered with and regulated by the Securities and Exchange Commission (SEC) and trades over the counter under the ticker symbol "JFGI". JFGI files quarterly financial information with the SEC. The Advisor's financial information is consolidated within the audited financial information of JFGI.
- C. The Advisor has a substantial deficit in capital. Revenues derived from its business are not currently sufficient to overcome that deficit. It has relied upon the financial support of JFGI to continue operations. Unless such support continues or the volume of the Advisor's business and revenues increase, the Advisor may not be able to continue as a going concern.
- D. JFGI has had a "going concern" qualification to its opinion from its auditors for the period June 1, 2001 through the current accounting period. It is anticipated that this qualification will continue until the volume of business conducted by its insurance company subsidiary, the Advisor and its other subsidiaries significantly increases or a significant financing is completed. JFGI financial statements are available online, under the ticker symbol "JFGI" or can be obtained by contacting the Advisor.

17. Other Disclosures

- A. Executive Officers and Management Persons
 1. John M. Jacobs was born October 19, 1953. He graduated from West Virginia University with a B.S. in Accounting in 1975 and became a certified public accountant in 1980. Mr. Jacobs passed the Series 2 exam in 1988 and the Series 63 exam in 1993. Since 1988, Mr. Jacobs has been President of Jacobs & Company, responsible for the discretionary management of client accounts. Mr. Jacobs is President and Chief Executive Officer of each of Jacobs Financial Group, Inc., FS Investments and Triangle Surety Agency. Mr. Jacobs also serves as Chairman of the Boards of Directors of Jacobs Financial Group, Inc. and First Surety Corporation.
 2. Robert J. Kenney was born July 25, 1947. He graduated from the University of Charleston (WV) with a B.S. in Sociology in 1974. Mr. Kenney passed the Series 65

exam in 1999 and the Series 63 exam in 2000. Mr. Kenney, after serving thirty-two years with Columbia Gas Transmission Corporation in roles that included Special Projects Manager and Manager of Risk Management, joined the Advisor in March 2000 and serves as Vice President and Assistant Portfolio Manager. Mr. Kenney is also President of First Surety Corporation, a wholly owned subsidiary of Jacobs Financial Group, Inc.

3. William B. Goode was born December 13, 1954. He graduated from the University of Kentucky with a Bachelor of Science degree in Accounting in 1976. Mr. Goode passed the Series 7 exam and the Series 66 exam in 2006. Mr. Goode was President of Charleston Area Alliance from 1997 - 2006 and is a Certified Economic Development professional. Mr. Goode joined Triangle Surety Agency, a wholly owned subsidiary of Jacobs Financial Group, Inc., in December 2006 as its Vice President.

- B. Neither the Advisor nor any of its employees are compensated for advisory services with performance-based fees.
- C. Neither the Advisor nor its employees have been involved in an arbitration claim alleging damages.