

## Form ADV Part 2A – Firm Disclosure Brochure

### Item 1 – Cover Page

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This brochure provides information about the qualifications and investment advisory business practices of JWKodak Capital Management, LLC. If you have any questions about the contents of this brochure please contact Annabel McElroy at 508-945-7575. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for “JWKodak Capital Management, LLC” by name or by using the Firm’s CRD number. The CRD number for the Firm is **144081**.

Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This item provides information regarding specific material changes and a summary of such changes made to the Disclosure Brochure since the last annual update of the brochure which occurred in March 2012. During the first quarter and second quarter of 2012, we will transition our registration from the SEC to the individual state level. In 2011, investment advisor firms registered with the SEC with less than \$90 million in discretionary assets under management were required to transition to registration directly with state securities regulators. Our firm's regulatory discretionary assets under management are below the \$90 million threshold and thus we must transition to state registration.

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## Item 4 – Advisory Business

### **General Description of Advisory Firm**

JWKodak Capital Management, LLC, (referred to as “JWKodak Capital Management” or “JWKodak” in this brochure) is an investment advisor conducting business in states where it is properly registered or qualifies for an available exemption to registration and is a limited liability company formed under the laws of the State of Texas.

- The Firm has been registered as an investment advisor since May 16, 2007.
- The Firm is equally owned and operated by Scott C. Kodak (50% owner) and Chadd J. Kodak (50% owner)
  - Scott Kodak is a Managing Member, Investment Advisor Representative and also the Firm's Chief Compliance Officer.
  - Chadd Kodak is a Managing Member and Investment Advisor Representative.
- Through JWKodak Capital Management, we offer and consider ourselves to specialize in providing personalized Portfolio Management Services (described below).

Clients are advised that the investment recommendations and advice offered by JWKodak Capital Management does not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform JWKodak Capital Management promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify JWKodak Capital Management of any such changes could result in investment recommendations not meeting the needs of the client.

### **Description of Advisory Services**

Our Firm provides **Portfolio Management Services** to clients on an individualized basis. Our services involve providing clients with continuous and on-going supervision over client accounts. This means that we will continuously monitor a client's account and make trades in client accounts when necessary. Through this service, JWKodak Capital Management implements a customized and individualized investment program for clients by applying our investment strategy and philosophy. JWKodak Capital Management shall actively manage client investment portfolios in accordance with the client's individual needs, return objectives and risk tolerance.

Portfolio Management Services are provided through accounts at Charles Schwab & Company, Inc. as a result of the Firm's participation in the Schwab Institutional platform. Charles Schwab & Company, Inc. is a registered broker/dealer, members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC), and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate JWKodak Capital Management as your investment advisor on the accounts you'd like JWKodak Capital Management to manage. JWKodak Capital Management will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct the JWKodak Capital Management advisory fees from the account. Please refer to Item 12 for more information regarding the Firm's brokerage arrangements.

Clients are always responsible for notifying JWKodak Capital Management of any changes to their financial situation or investment objectives. At least annually, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on the management of their accounts. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian and the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand that JWKodak Capital Management manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

See Item 5 of this Brochure for fee descriptions.

#### **Limits Advice to Certain Types of Investments**

We provide investment advice on the following types of investments.

- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Foreign Issues
- Warrants
- Bonds
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Master Limited Partnerships (MLPs) which are exchange-listed limited partnerships.

We do not provide advice on options contracts on commodities, futures contracts on tangibles or intangibles, variable life insurance, variable annuities, or private investments such as limited partnerships.

When providing Portfolio Management Services, the Firm will typically construct each client's account holdings using: mutual funds, stocks and bonds to build diversified portfolios. It is not our typical

investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

#### **Tailor Advisory Services to Individual Needs of Clients**

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information. We will then design a customized investment portfolio specifically addressing the client's individual investment needs and situations.

#### **Client Assets Managed by JWKodak Capital Management, LLC**

The amount of clients assets managed by JWKodak Capital Management totaled \$43,985,482.00 as of December 31, 2011. \$28,088,549.00 is managed on a discretionary basis and \$15,896,933.00 is managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provide in Item 4 – Advisory Business, this section provides details regarding our Firm's services along with descriptions of each service's fees and compensation arrangements. Please note that lower fees for comparable services may be available from other sources.

#### **Fees for Portfolio Management Services**

The fees we charge for our Portfolio Management Services are always based upon a percentage of assets under management based using a fee schedule similar to the fee schedule listed below. The fee schedule below is a generic fee schedule and is not specific to every client.

##### **Fee Schedule**

1.75% on assets under \$500,000
1.50% on assets between \$500,001 and \$750,000
1.25% on assets between \$750,001 and \$1,000,000
1.00% on assets between \$1,000,001 and \$2,500,000
.75% on assets between \$2,500,001 and \$5,000,000
.50% on assets over \$5,000,001

The actual fee charged to each client is negotiable based on factors such as the client's financial situation and circumstances, the amount of assets under management or review, whether JWKodak Capital Management will have trading authorization over the client's account, and the overall complexity of the services provided. The exact services and fees will be agreed upon and disclosed in the Portfolio Management Services client agreement prior to services being provided.

When fees are based on a percentage of the assets held within the Account, fees are billed quarterly in advance based on the value of the account on the last business day at the end of the previous quarter. In the event a fixed fee is charged, fees are divided into four equal payments and billed quarterly in advance.

Fees are generally deducted directly from the client's account. Clients must provide the custodian with written authorization to have fees deducted from the account and paid to JWKodak Capital Management. When fees are deducted from an account, we will send the client an invoice itemizing the fee. Itemization includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee. Upon discretion of JWKodak Capital Management, clients may pay fees directly to JWKodak Capital Management. For clients that pay directly, payment is due within thirty (30) days after receipt of the billing statement from JWKodak Capital Management. The custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. Please refer to Item 15 – Custody for more information.

### **Other Fees and Expenses**

Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. JWKodak Capital Management will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than JWKodak Capital Management in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by JWKodak Capital Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

### **How to Terminate Services**

Either party (i.e. the client or JWKodak Capital Management) may terminate our Firm's agreement for services at any time by providing written notice to the other party. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and any pre-paid fees shall be refunded. In the event a client terminates services, termination shall be effective from the time we receive written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final payment or refund of advisory fees. In the event we terminate the relationship, the agreement will be terminated on the (15<sup>th</sup>) fifteenth day after written notification is delivered to the client or such time as may be mutually agreed upon, also subject to the settlement of transactions in progress and the final payment or refund of advisory fees. There will be no penalty charge upon termination.

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

Item 6 of the Form ADV Part 2 instructions is **not** applicable to this Disclosure Brochure because JWKodak Capital Management, LLC does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 – Types of Clients**

We generally provide investment advice to the following types of clients:

- Individuals,
- Pension and profit sharing plans
- Trusts, estates or charitable organizations

- Corporations or business entities other than those listed above

#### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by JWKodak. However, all clients are required to execute an agreement for services prior to commencing any work.

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

#### **JWKodak Capital Management, LLC uses the following methods of analysis in formulating investment advice.**

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis since it relies on proper interpretation of candlesticks and chart patterns. The risk of reliance upon candlestick data is that the next day's data can always negate the conclusions reached from prior days' candlesticks. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

Given the risks inherent in each method of analysis, MFS seeks to employ most of these analyses simultaneously. Risk is minimized when one is able to draw the same conclusion from multiple methods of analysis.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about



using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

**JWKodak Capital Management, LLC uses the following investment strategies when managing client assets and/or providing investment advice.**

- ✓ Long term purchases - Investments held at least a year.
- ✓ Short term purchases - Investments sold within a year.
- ✓ Trading - Investments sold within 30 days.
- ✓ Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- ✓ Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from JW Kodak Capital Management.

- ✓ Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – The stock market as a whole goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Debt (Bond) Market Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produced the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your broker/dealer. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Portfolio Management Services and held by your broker/dealer. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The broker/dealer can force the sale of securities or other assets in your account.
- The broker/dealer can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call.
- The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities.
- The broker/dealer can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

### **Item 9 – Disciplinary Information**

This item is not applicable to this brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of this business or integrity.

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

JWKodak Capital Management is an independent investment advisory firm and only provides investment advisory services. The Firm is not engaged in any other business activities and offers no other services

than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor, nor do we receive referrals from a third-party investment advisor.

JWKodak is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, or (8) sponsor or syndicator of limited partnerships.

### **Insurance Activities**

Brian Drake and Jane Bourette are licensed to provide insurance services to clients. Insurance products are provided to clients for personal, estate and business need to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended by JWKodak Capital Management's investment advisor representatives in their separate capacities and insurance agents, clients often purchase such products when needs arise. For clients of who purchase products causing commissions to be generated these are paid to the investment advisor representatives in their separate capacities as insurance agents. For those investment advisor representatives who are insurance licensed, this activity varies throughout the year. It should be noted that Scott Kodak and Chadd Kodak are **not** licensed insurance agents and don't personally offer insurance services.

Certain insurance companies may offer incentives in addition to the standard compensation to the associated person, acting in the associated person's separate capacity as an insurance agent, if the associated person sells a particular annuity or insurance product during a brief window of time (also known as a "fire sale"). Moreover, certain insurance companies may offer our investment advisor representatives, acting in their separate capacities as insurance agents, additional incentive compensation such as vacation trips for meeting a sales goal associated with the insurance agent's overall sale of a particular annuity offered by that insurance company. Our investment advisor representatives, acting in their separate capacities as insurance agents, may also utilize a third-party insurance marketing organization ("IMO"). The IMO may share with our investment advisor representatives, acting in a separate capacity as an insurance agent, a portion of the overrides that the IMO receives from the insurance company for the IMO's wholesaling activities associated with the sale of an annuity by the insurance agent. The IMO may also offer special incentive compensation such as vacation trips to our investment advisor representatives, acting in their separate capacities as insurance agents, if the insurance agent meets certain overall sales goals by placing annuities and/or other insurance products through the IMO. The receipt of these various forms of compensation may affect the judgment of the associated person when recommending particular annuity or insurance products to its clients.

A client should be aware that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and may affect the independent judgment of the associated person when making recommendations about annuities and insurance products in general or a particular annuity or insurance product offered by a certain insurance company or through an IMO.

The only form of other compensation received from advisory services is the fees charged for providing investment advisory services as described in Item 5 of this brochure. We receive no other forms of compensation in connection with providing investment advice.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

JWKodak Capital Management has established a Code of Ethics that will apply to all of its supervised persons. An investment adviser is considered a fiduciary according to Federal and state securities laws. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. We have the responsibility to make sure that the interests of all clients are placed ahead of ours or our supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. We, along with our supervised persons, must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of advisor's Code of Ethics. However, if a client or a potential client wishes to review advisor's Code of Ethics in its entirety, a copy will be provided promptly upon request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

We and our supervised persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This presents a conflict between or personal investing interests and the interests of our clients. We have established policies and procedures to control for this conflict of interest.

- It is our express policy that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.
- Investments recommended by our Firm are publicly traded and generally widely available therefore less likely to be affected by our investing practices.
- In accordance with our Code of Ethics, personnel are required to report transactions and holdings in certain "reportable securities" to JWKodak for review.
- Personnel accounts are included in aggregate orders affected for our clients in accordance with our Block Trading Policy (see Item 12 for more details).

## **Item 12 – Brokerage Practices**

Clients wishing to implement our advice are free to select any broker/dealer or investment advisor they wish and are so informed.

For clients that wish to open a Portfolio Management Services account, Charles Schwab & Company, Inc. (Charles Schwab) will be used. Therefore, when you sign-up for our Portfolio Management Services, you will need to establish a brokerage account with Charles Schwab if you do not already have an account at Charles Schwab. Charles Schwab is a registered broker-dealer, member SIPC, and will maintain custody of your assets and provide execution of securities transactions.

Please note that not all investment advisors require the use of a specific broker/dealer. Some investment advisors allow clients to select the broker/dealer. However, for compliance and operational efficiency purposes, we have decided to require all clients open accounts through Charles Schwab when participating in the Firm's Portfolio Management Services.

On an annual basis, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations. No single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

Although we do not receive client referrals from Charles Schwab nor have we entered into a written soft-dollar arrangement with Charles Schwab, our decision to require Charles Schwab is based on the Firm's participation in Schwab Institutional. JWKodak Capital Management is independently owned and operated and not affiliated with Charles Schwab. Through the Schwab Institutional platform, JWKodak Capital Management is provided with access to Charles Schwab's institutional trading and custody services, which are typically not available to Charles Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least: \$10 million of Firm clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon JWKodak Capital Management committing to Charles Schwab any specific amount of business (assets in custody or trading). Charles Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For JWKodak Capital Management' clients' accounts maintained in its custody, Charles Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Charles Schwab or that settle into Charles Schwab accounts.

Charles Schwab also makes available to JWKodak Capital Management other products and services that benefit JWKodak Capital Management but may not benefit its clients' accounts. Some of these other products and services assist JWKodak Capital Management in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of advisory fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of JWKodak Capital Management accounts. Schwab Institutional also makes available to JWKodak Capital Management other services intended to help JWKodak Capital Management manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Charles Schwab may make available, arrange and/or pay for these types of services rendered to JWKodak Capital Management by independent third party providing these services to JWKodak Capital Management. While as a fiduciary, JWKodak Capital Management endeavors to act in its clients' best interests, and while the recommendation that clients maintain their assets in accounts at Charles Schwab may be based in part on the benefit to JWKodak Capital Management of the availability of some of the foregoing products and services; nevertheless, these products and services by facilitating the Firm's workload are also effectively benefiting our clients as well.

### **Prime Broker Services**

Through our relationship with Schwab, we can use the Charles Schwab Prime Broker service. This allows us to place trades with other broker/dealers without the need to have individual accounts with the other broker/dealers. The use of Prime Broker allows greater flexibility to access more fixed income products, the ability to access Initial Public Offerings (IPOs), and the ability to access new issue bonds. All assets will be kept in a Schwab account with all confirmations and statements generated by Charles Schwab.

We select other broker/dealers based on the quality of research, services, products offered, execution and commission structures. Both discount and full service broker/dealers may be used, but the lowest cost broker/dealer may not always be utilized. We have not entered into any formal soft-dollar arrangements nor do we receive any referrals from broker/dealers available through the Charles Schwab Prime Broker service.

### **Trade Errors**

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

- Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and
- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

From time to time an error may occur in submitting a trade order on behalf of the client. When this occurs JWKodak Capital Management may place a correcting trade with Charles Schwab. If an investment gain results from the correcting trade, the gain will remain in the clients account unless (1) the same error involved other client account(s) that should have received the gain, (2) it is not permissible for you to retain the gain, or (3) we confer with you and you decide to forego the gain.

If a loss occurs the client or JWKodak Capital Management will pay for the loss depending on how the error occurred. (If Schwab is the custodian then Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense.) Generally, if related trade errors result in both gains and losses in the client's account, they may be netted. Gains of more than \$100 not retained in the client account, will be donated by Charles Schwab to a charity chosen by Charles Schwab.

### **Aggregation of Client Orders-Block Trading Policy**

Transactions we implement for client accounts will be executed independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the Firm when we believe such action may prove advantageous to clients. In particular, we often aggregate orders when we are initiating a new position or adding to an existing position as well as when we are eliminating an existing

position in part or in full. We prefer to aggregate core positions whether we are purchasing or selling because we believe that aggregation of orders can control for conflicts of interest regarding pricing because most accounts included in the aggregate order will pay the same (or similar) price. This includes client accounts and JWKodak personnel accounts owning the same positions as clients.

When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, we do not receive any additional compensation or remuneration as a result of aggregation.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

Account reviews are provided in connection with Portfolio Management Services. For clients participating in these programs, an associated person will contact clients at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. The underlying portfolios used to manage client accounts and holdings within those portfolios are reviewed on a more frequent basis. Portfolios are usually reviewed as frequently as daily, but no less than monthly. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, deviation from management style by fund, or fund closures. We are responsible for day to day rebalancing, reallocation and ongoing trading services for accounts in which we are considered the manager and have been granted trading authorization.

Scott Kodak and Chadd Kodak are responsible for managing all client accounts.

#### **Statements and Reports**

Clients will receive statements at least quarterly from the custodian (i.e. Charles Schwab) at which their accounts are maintained. JWKodak Capital Management provides written performance and position reports on a quarterly or as-requested basis. Clients are encouraged to always compare reports provided by JWKodak Capital Management against the accounts statements delivered from the broker/dealer-qualified custodian.

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

#### **Client Referrals**

- ✓ We do not directly or indirectly compensate anybody for client referrals.



### **Other Compensation**

- ✓ The only form of other compensation received from advisory services is the fees charged for providing investment advisory services as described in Item 5 of this brochure. We receive no other forms of compensation in connection with providing investment advice. However, please refer to Item 12 to read information regarding the benefits received from our brokerage arrangements.
- ✓ Please refer to Item 10 of this Disclosure Brochure for details regarding the compensation our investment advisor representatives may earn through their “other” business activities..

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

JWKodak is deemed to have custody of client funds and securities whenever JW Kodak is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody JWKodak will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which JWKodak is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from JWKodak. When clients have questions about their account statements, they should contact JWKodak or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

Through our **Portfolio Management Services** and upon receiving written authorization from a client, we will maintain trading authorization over client accounts. Upon receiving written authorization from the client, we may implement trades on a **discretionary** basis (as provided by the client in our Firm's agreement for services). When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is our policy to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

We may elect to purchase bonds through bond brokers in order to obtain a better price for the client and then have the bonds delivered into the client's Charles Schwab brokerage account. This practice is called trading away and is done through the Charles Schwab Prime Brokerage platform. This is the only

case in which we select a broker to be used without specific client consent. Charles Schwab may charge you a transaction fee for “trading away” through other bond brokers.

We actively try to negotiate the transaction costs our clients assessed by Charles Schwab.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price. In addition, discretionary management clients generally receive priority on orders placed. Clients who wish to discuss trades with us prior to trade implementation generally will not receive the same execution as other clients.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our Firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

#### **Item 17 – Voting Client Securities**

We will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

#### **Item 18 – Financial Information**

This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

## Item 19 – Requirements for State-Registered Advisers

### **Executive Officers and Management Personnel**

**Scott C. Kodak**, Managing Member and Chief Compliance Officer

*Education Background:*

- Bachelor of Science, University of Massachusetts-Dartmouth, 1995

*Business Background:*

- JWKodak Capital Management, LLC, Managing Member, Investment Advisor Representative, and Chief Compliance Officer, 5/2007 to Present;
- Purshe Kaplan Sterling Investments, Registered Representative, 05/2007 – 12/2008;
- UBS Financial Services, Inc. (formerly UBS Paine Webber, Inc.), Financial Advisor, 02/2003 – 05/2007; and
- Wachovia Securities, Inc. (formerly First Union Securities & Everen Securities), Financial Advisor, 11/1996 – 02/2003.

**Chadd J. Kodak**, Managing Member

*Education Background:*

- Bachelor of Science, Stonehill College, 1996

*Business Background:*

- JWKodak Capital Management, LLC, Managing Member, Investment Advisor Representative, 5/2007 to Present;
- Purshe Kaplan Sterling Investments, Registered Representative, 05/2007 – 12/2008;
- UBS Financial Services, Inc. (formerly UBS Paine Webber, Inc.), Financial Advisor, 02/2003 – 05/2007; and
- Wachovia Securities, Inc. (formerly First Union Securities & Everen Securities), Financial Advisor, 10/2000 – 02/2003.

### **Other Business Activities**

JWKodak Capital Management is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. Please refer to Item 10 of this Disclosure Brochure for details.

### **No Performance Based Fees**

As previously disclosed in Item 6, the Firm does not charge performance based fees.

**Arbitrations**

JWKodak Capital Management and its management personnel have not been involved in an arbitration claim alleging damages in excess of \$2,500 resulting in an award or otherwise being found liable. They have not been involved in a civil, self-regulatory organization, or administrative proceeding resulting in an award or otherwise being found liable.

**Issuer of Securities**

JWKodak Capital Management does not have relationships with any issuer of securities. Please refer to Item 12 of this Disclosure Brochure for information regarding our brokerage arrangements.

## CUSTOMER PRIVACY POLICY

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to nonaffiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. We do not share or disclose customer information to nonaffiliated third parties except as permitted or required by law.

We are committed to safeguarding the confidential information of its clients. We hold all personal information provided by clients in the strictest confidence and it is our objective to protect the privacy of all clients. Except as permitted or required by law, we do not share confidential information about clients with nonaffiliated parties. In the event that there were to be a change in this policy, we will provide clients with written notice and clients will be provided an opportunity to direct us as to whether such disclosure is permissible.

To conduct regular business, the advisor may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to the advisor
- Information about the client's transactions implemented by the advisor or others
- Information developed as part of analyses or investment advisory services

To administer, manage, service, and provide related services for client accounts, it is necessary for us to provide access to customer information within the Firm and to nonaffiliated companies with whom we have entered into agreements with. To provide the utmost service, we may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on our behalf.

- Information we receive from the client on applications (name, social security number, address, assets, etc.)
- Information about the client's transactions with us or others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services transaction with us

Since we share nonpublic information solely to service client accounts, we do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. However, we may also provide customer information outside of the Firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.