



## Firm Brochure

*This brochure provides information about the qualifications and business practices of J.A. Forlines, LLC. If you have any questions about the contents of this brochure, please contact us at (516) 609-3370 or by email at: [johnforlines@jaforlines.com](mailto:johnforlines@jaforlines.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 J.A. Forlines, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). J.A. Forlines, LLC's CRD number is: 150016*

63 Forest Avenue Suite #1  
Locust Valley, New York, 11560  
(516) 609-3370  
[JohnForlines@jaforlines.com](mailto:JohnForlines@jaforlines.com)

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

Version Date: 3/5/2012

## **Item 2: Material Changes**

J.A. Forlines, LLC has changed office locations since the previous annual amendment. The new office address is 63 Forest Avenue Suite #1, Locust Valley, New York, 11560.

## Item 3: Table of Contents

### Table of Contents

Item 2: Material Changes .....	i
Item 3: Table of Contents.....	ii
Item 4: Advisory Business.....	1
A. Description of the Advisory Firm .....	1
B. Types of Advisory Services .....	1
Investment Supervisory Services.....	1
C. Client Tailored Services and Client Imposed Restrictions .....	1
D. Wrap Fee Programs .....	1
E. Amounts Under Management .....	1
Item 5: Fees and Compensation .....	2
A. Fee Schedule .....	2
Investment Supervisory Services Fees .....	2
B. Payment of Fees .....	2
Payment of Investment Supervisory Fees .....	2
C. Clients Are Responsible For Third Party Fees .....	2
D. Prepayment of Fees .....	2
E. Outside Compensation For the Sale of Securities to Clients .....	3
Item 6: Performance-Based Fees and Side-By-Side Management .....	3
Item 7: Types of Clients .....	3
Minimum Account Size.....	3
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	3
A. Methods of Analysis and Investment Strategies.....	3
Methods of Analysis .....	3
Investment Strategies.....	3
B. Material Risks Involved .....	4
Methods of Analysis .....	4
Cyclical analysis .....	4
Investment Strategies.....	4
C. Risks of Specific Securities Utilized.....	4
Item 9: Disciplinary Information.....	4
Item 10: Other Financial Industry Activities and Affiliations.....	5
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	5
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor .....	5
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	5
D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections .....	5

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	5
A. Code of Ethics .....	5
B. Recommendations Involving Material Financial Interests.....	5
C. Investing Personal Money in the Same Securities as Clients .....	6
D. Trading Securities At/ Around the Same Time as Clients' Securities .....	6
Item 12: Brokerage Practices .....	6
A. Factors Used to Select Custodians and/or Broker/Dealers.....	6
B. Aggregating (Block) Trading for Multiple Client Accounts .....	6
Item 13: Reviews of Accounts.....	6
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	6
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	6
C. Content and Frequency of Regular Reports Provided to Clients.....	7
Item 14: Client Referrals and Other Compensation.....	7
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	7
B. Compensation to Non -Advisory Personnel for Client Referrals .....	7
Item 15: Custody .....	7
Item 16: Investment Discretion .....	7
Item 17: Voting Client Securities (Proxy Voting) .....	7
Item 18: Financial Information .....	8
A. Balance Sheet.....	8
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients.....	8
C. Bankruptcy Petitions in Previous Ten Years .....	8

## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since June 8, 2009, and the principal owner is John A. Forlines III.

### B. Types of Advisory Services

J.A. Forlines, LLC (hereinafter "JAF") offers the following services to advisory Clients:

#### *Investment Supervisory Services*

JAF provides ongoing money management services for clients who have relationships with registered representatives of Broker/Dealers and Registered Investment Advisers ("Reps/Advisors"). These Reps/Advisors maintain their client accounts at Broker/Dealers whom they have selected in the best interest of their client and/or with whom they have compliance relationships. When Clients and their Reps/Advisors choose JAF to manage money, the Client opens a brokerage account at the Broker/Dealer and the Broker/Dealer grants JAF trading discretion over the investments in the account. The Broker/Dealer and their Custodian provide a trading platform for JAF and JAF never receives any commissions on trading transactions. JAF's total fee is predetermined in advance by Agreement with the Broker/Dealer and is solely determined as a flat percentage of assets under management. JAF is not a party to the Broker/Dealer-Client Agreement except as to designation as manager.

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

JAF generally offers only one portfolio option at each Broker/Dealer. Where the Broker/Dealer offers a "model platform" program, there may be risk-banded variations of the main portfolio option. There are no client imposed restrictions or tailored services available. The only exception is that certain 501(c) Clients have self-imposed investment policy statement guidelines to which JAF adheres.

### D. Wrap Fee Programs

JAF does not sponsor any wrap fee programs.

### E. Amounts Under Management

JAF has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$258,390,000.00	\$91,730,000.00	12/31/2011

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
All SMA Platforms	0.50 - 0.85%
UMA & Model Platforms	0.30 - 0.50%
Retirement Plan Platforms	0.30 - 0.90%

These fees are negotiable and the final fee schedule will be attached as an Exhibit to the Investment Manager Agreement between JAF and the Broker/Dealer where the Client accounts are resident. Fees are paid according to the Agreements between the Broker/Dealers and their Clients and may be quarterly in arrears or in advance. If in arrears, we understand no refund policy is necessary. If in advance, we understand that Clients can obtain a refund pro-rata of fees that were paid prior to termination. Clients may terminate their accounts without penalty, for full refund, within 5 business days of signing the advisory contract. The Broker/Dealers will withdraw advisory fees directly from the Client's accounts according to the arrangements they have made with their Clients. Client minimums in most of JAF's investment programs are \$100,000, although there are occasional exceptions for "Householded" account groups at the Broker/Dealers.

### B. Payment of Fees

#### *Payment of Investment Supervisory Fees*

The Broker/Dealers will withdraw advisory fees directly from the Client's accounts according to the arrangements they have made with their Clients and then forward JAF its portion of fees based on the total assets under management for the Broker/Dealer.

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

Fees are paid according to the Agreements between the Broker/Dealers and their Clients.

### D. Prepayment of Fees

All of the Broker/Dealers JAF has Agreements with calculate and collect fees in advance. We understand that Fees that are collected by the Broker/Dealers in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. In addition, we understand that

it is standard practice that Broker/Dealers deposit Fees back into Client's account within fourteen days after termination.

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

Neither JAF 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**

JAF 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**

JAF provides ongoing money management services for Broker/Dealer affiliated Registered Investment Advisers and other Registered Investment Advisers.

#### ***Minimum Account Size***

The account minimum will vary among Broker/Dealer and model platform utilized

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

#### **A. Methods of Analysis and Investment Strategies**

##### ***Methods of Analysis***

JAF's utilizes Global Macro analysis which takes in account the performance of asset classes at different periods in a credit cycle as its main method of analysis. Other methods of analysis include charting analysis, technical analysis, and other cyclical analysis. JAF overlays a risk analysis by security each month which incorporates currency-adjusted standard deviation.

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

##### ***Investment Strategies***

JAF uses long term trading and short term trading strategies

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

## B. Material Risks Involved

### *Methods of Analysis*

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### *Investment Strategies*

Long term trading is 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.

Short term trading generally hold greater risk and Clients should be aware that there is a 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

All JAF portfolios consists of exchange traded products (ETPs) that reflect JAF's global macro view. The ETPs themselves may contain fixed income, equities or derivative contracts, which are reflective of JAF's multi-asset strategy and which trade on the U.S. exchanges. Although all JAF security positions are diversified baskets of securities and are therefore considered by JAF to be less risky than owning individual securities, an investment in JAF's portfolios, or any other investment or investment strategy involves risk, including the loss of principal; and there is no guarantee that investment in JAF's portfolio, or any other investment strategy will be profitable for a Client's or prospective Client's portfolio.

JAF 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 JAF 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 JAF nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

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

Neither JAF 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**

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

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

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

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

From time to time, representatives of JAF may buy or sell securities for themselves that are in model portfolios available to our Broker/Dealers. JAF 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**

Representatives of JAF may not buy or sell securities for themselves at the same time as model portfolios are being traded. JAF 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.

## **Item 12: Brokerage Practices**

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

The choice of Custodian is made by the Broker/Dealer with whom JAF has an Agreement to provide portfolio or model management services. JAF does not control decisions involving custody of client assets.

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

On certain Broker/Dealer platforms, JAF maintains the ability to block trade purchases across accounts. 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 the custodians and their institutional trading desks which assist JAF in these trades.

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

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

Client accounts are reviewed at least monthly by Court Hoover and/or James Gardiner. All accounts at JAF are assigned to these reviewers. Portfolio models are reviewed monthly by John Forlines III and team of Senior Advisors and research consultants.

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

Reviews may be triggered by material market, economic or political events, or termination of an account.

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

JAF does not provide written reports or statements to clients. It is our understanding that every client will receive at least monthly a written report from the Broker/Dealer providing custody for their account and that clients may also receive other reports from their Rep/Advisors.

## **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)**

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

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

JAF does not directly or indirectly compensate any person who is not advisory personnel for Client referrals.

## **Item 15: Custody**

JAF does not take custody of Client accounts at any time. Custody of all Client accounts is held at the third party Custodians chosen by the Broker/Dealers.

## **Item 16: Investment Discretion**

For those Clients' accounts of Broker/Dealers where JAF provides ongoing supervision, the Broker/Dealer has given JAF written discretionary authority over their Client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the Client before any advisory relationship has commenced. The Client of the Broker/Dealer provides JAF discretionary authority via a limited power of attorney in the Investment Advisory Contract with their Broker/Dealer and in the contract between the Broker/Dealer Client and the Custodian.

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

JAF will not ask for, nor accept voting authority for Client securities. Clients and their Broker/Dealers will receive proxies directly from the issuer of the security or the Custodian. Clients should direct all proxy questions to the issuer of the security or their Custodian.

## **Item 18: Financial Information**

### **A. Balance Sheet**

JAF does not require nor solicit prepayment of more than \$1,200 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 JAF 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**

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