

# Disclosure Brochure

March 1, 2012



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This brochure provides information about the qualifications and business practices of Jacob William, Inc. (hereinafter "Jacob William"). If you have any questions about the contents of this brochure, please contact Daniel Morrison at (410) 821-6724. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Jacob William is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Jacob William is an independent registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, Jacob William, Inc. ("Jacob William") is required to discuss the material changes that have occurred since the firm's last annual update to the brochure dated March 24, 2011.

### State Registration

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Due to new regulatory changes stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act, Jacob William is required to obtain state-level investment adviser registration and withdraw its current registration with the U.S. Securities and Exchange Commission (SEC). This switch to state registration means that Jacob William will be primarily regulated by the Securities Division of the Maryland Attorney General, rather than the SEC. This change in registration status will have little, if any, impact on the investment advisory services that Jacob William provides to its clients. Jacob William will, however, now provide clients with duplicate fee invoices describing the amounts debited for payment of the firm's management fees, in accordance with applicable state laws, rules and regulations.

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## Item 4. Advisory Business

Jacob William has been in business as an independent registered investment adviser since October 2009 and is principally owned by William Daniel Morrison and Mark Jacob Ring. As of December 31, 2011, Jacob William had \$56,709,000 in assets under management, all of which was actively managed on a discretionary basis.

Jacob William provides financial planning, consulting, and investment management services. Prior to engaging Jacob William to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Jacob William setting forth the terms and conditions under which Jacob William renders its services (collectively the “*Agreement*”).

The firm manages investment advisory accounts using model asset allocation portfolios. Each model portfolio is designed to address a particular investment goal. The firm manages these advisory accounts primarily on a discretionary basis, although it may accept non-discretionary accounts on a case-by-case basis. Supervision over the account is guided by the stated objectives of the client (e.g. maximum capital appreciation, growth, income or growth and income).

This Disclosure Brochure describes the business of Jacob William. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Jacob William’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Jacob William’s behalf and is subject to Jacob William’s supervision or control.

### Financial Planning and Consulting Services

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Jacob William may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include business planning, investments, insurance, retirement, education, estate planning or any other topic. In certain circumstances, as appropriate, Jacob William may provide non-investment related consulting services on various financial matters. Generally, such advice is provided in connection with estate planning, insurance and/or annuity advice.

In connection with its financial planning services, clients will receive a written report detailing a specific financial plan designed to address the client’s stated financial goals and objectives. In general, the financial plan will address some or all of the following subject areas:

- **Personal:** Family records, budgeting, personal liability, estate information and financial goals.
- **Education:** Education IRAs, financial aid, state savings and 529 plans, grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- **Tax & Cash Flow:** Income tax and spending analysis and planning for past, current and future years. Jacob William will illustrate the impact of various investments on a client’s current income tax and future tax liability

- **Death & Disability:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- **Retirement:** Analysis of current strategies and investment plans to help the client achieve retirement goals.
- **Investments:** Analysis of investment alternatives and their effect on a client's portfolio.

In performing its services, Jacob William is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Jacob William may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Jacob William recommends its own services. The client is under no obligation to act upon any of the recommendations made by Jacob William under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Jacob William itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Jacob William's recommendations. Clients are advised that it remains their responsibility to promptly notify Jacob William if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Jacob William's previous recommendations and/or services.

### **Investment Management Services**

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Clients can engage Jacob William to manage all or a portion of their assets on a discretionary basis. In addition, Jacob William may provide clients with wealth management services which generally include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Jacob William primarily allocates clients' investment management assets among equities, fixed income, mutual funds, exchange-traded funds ("ETFs"), Real Estate Investment Trusts ("REITs"), as well as the securities components of variable annuities and variable life insurance contracts, in accordance with the investment objectives of the client. Jacob William also provides advice about any type of investment held in clients' portfolios.

Through discussions in which the client's goals and objectives are established, the firm determines which model portfolio is best suited to the client's circumstances. As appropriate, the firm may suggest an allocation among the models to more adequately address the client's individual needs. Once the appropriate portfolio(s) has been determined, the account is generally managed based on the model portfolio parameters, rather than specific to each individual client. Clients, nevertheless, will have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Clients will retain individual ownership of all securities.

Jacob William may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing,

Jacob William either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Jacob William tailors its advisory services to the individual needs of clients. Jacob William consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Jacob William ensures that clients' investments in the various model portfolios are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Jacob William if there are changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon Jacob William's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Jacob William's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Educational Services**

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Jacob William may provide non-personalized investment-related educational seminars and is typically engaged by a company, civic group or other organization to provide such presentations. Typically, the topics covered may include asset allocations strategies, retirement planning, estate planning or other similar topics at the request of the sponsor. Jacob William will generally charge a fixed and/or hourly fee for these services and shall not render such educational services to its investment advisory clients. Should any of the employer's participants later engage Jacob William to render additional services, such work shall be done pursuant to a separate written agreement between the participant and Jacob William, independent of the sponsor's engagement for educational services. Jacob William anticipates that it will devote approximately 5% of its time to such consulting services.

## Item 5. Fees and Compensation

Jacob William offers its services on a fee basis, which may include hourly fees as well as fees based upon assets under management. Additionally, certain of Jacob William's *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

### Financial Planning and Consulting Fees

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Jacob William generally charges an hourly fee of approximately \$275 per hour for financial planning and consulting services. These fees are negotiable and generally determined by the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages Jacob William for additional investment advisory services, Jacob William may provide ongoing financial planning and/or consulting services as part of its advisory fee.

Prior to engaging Jacob William to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Jacob William setting forth the terms and conditions of the engagement. Generally, Jacob William requires one-half of the estimated financial planning / consulting fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fees

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Jacob William provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Jacob William. Jacob William's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Jacob William does not, however, receive any portion of these commissions, fees, and costs.

The annual fee generally varies between 1.00% and 1.75% depending upon the market value of the assets under management and the type of investment services to be rendered, as illustrated by the following fee schedule:

PORTFOLIO VALUE	ANNUAL FEE
Up to \$750,000	1.75%
\$750,000 – \$1,000,000	1.30%
Over \$1,000,000	1.00%

Jacob William's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Jacob William on the last day of the previous quarter. Certain legacy clients may also be charged at different effective rates than those specified above, as determined by their preexisting engagements.

Jacob William, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Jacob William generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services (“*Fidelity*”).

Jacob William may only implement its investment management recommendations after the client has arranged for and furnished Jacob William with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Jacob William, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Jacob William’s fee.

## **Fee Debit**

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Jacob William’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize Jacob William to debit the client’s account for the amount of Jacob William’s fee and to directly remit that management fee to Jacob William. Any *Financial Institutions* recommended by Jacob William have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Jacob William. In accordance with applicable state rules, the firm also sends duplicate quarterly fee invoices to clients, which describe the amounts debited for payment of the its management fees.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Jacob William and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Jacob William’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.



Clients may make additions to and withdrawals from their account at any time, subject to Jacob William's right to terminate an account. Additions may be in cash or securities provided that Jacob William reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Jacob William, subject to the usual and customary securities settlement procedures. However, Jacob William designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Jacob William may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets in excess of \$100,000 are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be adjusted or prorated in accordance with the client's fee schedule and based on the number of days remaining in the quarter.

### **Educational Services**

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Jacob William may charge for its educational services when providing speakers and/or materials for a seminar or workshop. Fees associated with a seminar may be charged to the seminar host, seminar attendee and/or seminar co-presenter. Fees charged to the seminar host and/or co-presenters are negotiable and will typically range from \$1,000 to \$5,000 depending on the nature and complexity of the topic(s) or event. However, because a seminar presents a forum by which attendees become familiar with Jacob William and its services (potentially leading to new client relationships) as well as the material presented, the firm may opt to waive or reduce its fee for its educational services depending on the circumstances.

In addition, Jacob William may, at its discretion, donate its time and materials to conduct a seminar organized by a non-profit association or charitable organization. Jacob William reserves the right to have seminar clients reimburse Jacob William for any reasonable travel expenses incurred by Jacob William during the execution of the Seminar. Seminars may also be provided in conjunction with other services under a bundled services arrangement. Under these circumstances, the client will be charged for the bundled services.

Fees for Bundled Services are typically calculated based on the number of executives, officers, other key employees or members that will receive the benefit of the services at a rate of \$80 to \$100 per beneficiary. Fees may be negotiable depending on specific services to be bundled among other factors. All fees are agreed upon prior to entering into a contract and the client will generally be invoiced monthly in advance.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Jacob William does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Item 7. Types of Clients

Jacob William provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, Jacob William generally imposes a minimum portfolio size of \$100,000. Jacob William, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Jacob William only accepts clients with less than the minimum portfolio size if, in the sole opinion of Jacob William, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Jacob William may aggregate the portfolios of family members to meet the minimum portfolio size.

### Minimum Fee

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While Jacob William does not charge a minimum fee, each client account is charged a \$75 annual maintenance fee, attributable to certain fixed administrative and service costs the firm incurs while providing clients with the agreed upon advisory services.

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

### Methods of Analysis

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Jacob William primarily employs fundamental and technical investment analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Jacob William will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Jacob William will be able to accurately predict such a reoccurrence.

### Investment Strategies

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Jacob William manages proprietary model portfolios of its own design. Each model portfolio consists of one or more of the following: individual equities, bonds, notes and other fixed income instruments, options, no-load or load-waived mutual funds, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), variable annuities, variable life insurance products and/or other investment products. Mutual funds, ETFs and other funds are selected on the basis of any or all of the following criteria as they relate to the security or its underlying index: performance history; industry sector; track record; investment objectives; composition and focus and fee structure and expenses. Weighting among funds or other securities as well as market sectors is determined by the appropriate model, e.g., conservative, moderate, aggressive. If the firm evaluates that a particular investment is performing inadequately, or that a different investment has become more suitable for the portfolio's goal, then we will recommend a different investment and reinvest the client's assets in accordance with the discretionary authority granted by the client.

### Risks of Loss

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#### *Market Risks*

The profitability of a significant portion of Jacob William's recommendations may depend to a great extent upon correctly assessing the future course of price movements of the securities in which it invests. There can be no assurance that Jacob William will be able to predict those price movements accurately.

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Real Estate Investment Trusts (REITs)*

Jacob William may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### *Management Through Similarly Managed "Model" Accounts*

Jacob William manages certain accounts through the use of similarly managed "model" portfolios, whereby the firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact Jacob William if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## Item 9. Disciplinary Information

Jacob William is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Jacob William does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

Jacob William is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Jacob William has described such relationships and arrangements below.

### **Insurance Agents**

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Certain of Jacob William's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. While Jacob William does not sell such insurance products to its investment advisory clients, Jacob William does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Jacob William recommends the purchase of insurance products where Jacob William's *Supervised Persons* receive insurance commissions or other additional compensation. Jacob William's *Supervised Persons* currently devote approximately 2% of their time to insurance sales.



## Item 11. Code of Ethics

Jacob William and persons associated with Jacob William ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Jacob William's policies and procedures.

Jacob William has adopted a code of ethics ("*Code of Ethics*") made up of its personal securities transaction and insider trading policies and procedures. When Jacob William is purchasing or considering for purchase any security on behalf of a client, no *Covered Person* (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Jacob William is selling or considering the sale of any security on behalf of a client, no *Covered Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in Jacob William's procedures (summarized above), neither Jacob William nor any of Jacob William's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a trustee or in which the Associated Person has a beneficial interest (collectively "*Covered Persons*"), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Jacob William's clients.

The foregoing policies and procedures are not applicable to:

- Transactions effected in any account over which neither Jacob William nor any of its *Supervised Persons* (as defined in this Form ADV) has any direct or indirect influence or control; and
- Transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies.

This policy has been established recognizing that some securities being considered for purchase and sale on behalf of Jacob William's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. Jacob William will maintain records of these trades, including the reasons for any exceptions.

The practice of allowing its Associated Persons the ability to invest in the same securities the firm recommends to clients poses certain conflicts of interest in that there may exist a financial incentive to recommend a client buy or sell a particular security or front-run client securities transactions.. Jacob William's policies and procedures seeks to ensure that all investment decisions made on its clients' behalves remain consistent with their overall best interests.

In accordance with Section 204A of the Advisers Act, Jacob William also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by Jacob William or any of its *Supervised Persons*.

Clients and prospective clients may contact Jacob William to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Jacob William generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Jacob William considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables Jacob William to obtain many mutual funds and ETFs without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Jacob William's clients comply with Jacob William's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Jacob William determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Jacob William seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Jacob William periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Jacob William in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Jacob William will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Jacob William (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Jacob William may decline a client's request to direct brokerage if, in Jacob William's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Jacob William decides to purchase or sell the same securities for several clients at approximately the same time. Jacob William may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Jacob William's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Jacob William's clients pro rata to the purchase and sale orders placed for each client on any

given day. To the extent that Jacob William determines to aggregate client orders for the purchase or sale of securities, including securities in which Jacob William's *Supervised Persons* may invest, Jacob William generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Jacob William does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Jacob William determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Jacob William may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Jacob William in its investment decision-making process. Such research generally will be used to service all of Jacob William's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Jacob William does not have to produce or pay for the products or services.

Jacob William may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on its clients' best interest in receiving most favorable execution.

#### **Software and Support Provided by Financial Institutions**

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Jacob William may receive from *Fidelity*, without cost to Jacob William, computer software and related systems support, which allow Jacob William to better monitor client accounts maintained at *Fidelity*. Jacob William may receive the software and related support without cost because Jacob William renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit Jacob William, but not its clients directly. In fulfilling its duties to its clients, Jacob William endeavors at all times to put the interests of its clients first. Clients should be aware,

however, that Jacob William's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Jacob William's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Jacob William may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its Institutional Wealth Services Group participants;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

Jacob William may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on its clients' best interest in receiving most favorable execution.

## Item 13. Review of Accounts

### Account Review

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For those clients to whom Jacob William provides investment management services, Jacob William monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Jacob William provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Jacob William’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Jacob William and to keep Jacob William informed of any changes thereto. Jacob William contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### General Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. For advisory clients, Jacob William will provide a quarterly report that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance. Clients should compare the account statements they receive from their custodian with those they receive from Jacob William. The firm may also provide monthly newsletters and weekly market commentary.

### Financial Planning & Consulting Reports

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Those clients to whom Jacob William provides financial planning and/or consulting services will receive reports from Jacob William summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Jacob William.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Jacob William does not provide compensation for client referrals.

### Other Economic Benefit

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Jacob William may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

## Item 15. Custody

Jacob William is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the firm's quarterly management fee. In accordance with applicable custody rules, the *Financial Institutions* recommended by Jacob William have agreed to send statements to clients, not less than quarterly, indicating all amounts paid to Jacob William and/or the *Independent Managers* engaged to manage their accounts.

As discussed in Item 13, Jacob William may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the *Financial Institutions* and to compare them with any reports received from Jacob William



## Item 16. Investment Discretion

Jacob William is generally given the authority to exercise discretion on behalf of clients. Jacob William is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Jacob William is given this authority through a power-of-attorney included in the agreement between Jacob William and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Jacob William takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

Jacob William is required to disclose if it accepts authority to vote client securities. Jacob William does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*. Upon request, the firm may provide consulting assistance regarding proxy issues or questions on a case-by-case basis.

## Item 18. Financial Information

Jacob William is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## Item 19. Requirements for State Registered Investment Advisers

### Principal Executive Officers and Management Persons

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#### **W. DANIEL MORRISON**

Born 1964

#### **Post-Secondary Education**

University of Baltimore | M.S., Finance | 1992

Towson University | B.S., Finance & Economics | 1986

#### **Recent Business Background**

Jacob William, Inc. | Director & Chief Compliance Officer | May 2006 – Present

Mutual Service Corporation | Registered Representative & Investment Adviser Representative  
October 2006 – September 2009

Hornor Townsend & Kent | Registered Representative & Investment Adviser Representative  
September 1993 – October 2006

#### **MARK J. RING**

Born 1962

#### **Post-Secondary Education**

University of Maryland | B.S., Economics | 1984

#### **Recent Business Background**

Jacob William, Inc. | Managing Director | May 2006 – Present

Mutual Service Corporation | Registered Representative & Investment Adviser Representative  
October 2006 – September 2009

Hornor Townsend & Kent | Registered Representative & Investment Adviser Representative  
September 1993 – October 2006

### Performance Based Fees

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Neither the firm nor its management persons provide any services for performance based fees, as stated in Item 6.

### **Civil and Administrative Proceedings**

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Neither the firm nor its management persons have been subject to an award or otherwise found liable in an action involving a violation of any investment related statute.

### **Relationships with Issuers**

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Neither the firm nor its management persons have a relationship with any issuer of securities.



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Prepared by:

