

## **FORM ADV PART 2 BROCHURE**

**March 20, 2014**



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*This brochure provides information about the qualifications and business practices of MJB Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 333-3733 or by email at [rbregman@mjbam.com](mailto:rbregman@mjbam.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. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about MJB Asset Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## ITEM 2 – MATERIAL CHANGES

Our response to this item reflects only material changes that have been made since our last annual update of the brochure dated as of March 30, 2013. This brochure, dated March 20, 2014 (Brochure), reflects material changes in Item 4 (Advisory Business) and Item 5 (Fees and Compensation).

In the future, this Item will discuss material changes, if any, made to this brochure as part of our annual update. We may, at any time, update this brochure and either send you a copy of the brochure or a copy of the material changes with an offer to send you a copy of the brochure. You may also request the most recent version of this brochure by contacting Richard Bregman, Chief Executive Officer at (212) 333-3733 or [rbregman@mjbam.com](mailto:rbregman@mjbam.com).

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#### ITEM 4 – ADVISORY BUSINESS

MJB Asset Management LLC (“MJB” or “us” or “we”) provides investment advisory services to individuals, businesses and certain institutional clients as described in Item 7 (Types of Clients). Richard Bregman, the owner of the firm, founded MJB in 1997.

##### *Investment Management Services*

We provide investment management services to individuals, high net worth individuals and certain business organizations on both a discretionary and a non-discretionary basis. Each client engagement involves the execution of an investment advisory agreement that specifies whether the firm will manage the client’s assets on a discretionary or non-discretionary basis. The portfolio management process begins with an evaluation of the client’s specific investment needs based on the following factors, among others: the client’s tolerance for risk, investment time horizon, cash flow needs, tax considerations, and such reasonable restrictions as a client may wish to impose on the management of the account. Following our evaluation of a client’s specific needs, we formulate investment objectives and structure the investment portfolio.

Many of our clients engage us to manage their investment portfolios on a discretionary basis, which involves the execution of a limited power of attorney, pursuant to which the firm will select investments that it deems most appropriate for a client’s situation. In instances where we provide services on a non-discretionary basis, we will make investment recommendations that may or may not be accepted by the client.

We construct most client portfolios to consist of mutual funds. In some instances, portfolios may also include individual securities (e.g. stocks and bonds). Mutual funds are purchased on a no-load or load-waived basis.

We tailor our investment management services to the specific needs of our clients. Following an evaluation of the client’s specific investment objectives, investment time horizon, tolerance for risk and other relevant factors, we develop an asset allocation strategy. Each client may impose restrictions with respect to investment in certain securities or types of securities. More information on the different type of portfolios is provided in the “Method of Analysis, Investment Strategies and Risk of Loss” section (Item 8).

We monitor securities portfolios on a continuous basis and rebalance portfolio composition when, in MJB’s opinion, adjustments are warranted as a result of changing economics, market conditions or other relevant factors. For example, new investments may become available which, in MJB’s opinion, may enhance the performance of the portfolio without increasing portfolio risk. We cannot assure clients that their portfolios will perform in accordance with stated investment objectives.

The fees for our investment management services are described in Item 5 (Fees and Compensation). We note that our management fees do not include other expenses associated with the construction and management of client portfolios, all of which are incurred by the

client. Examples of these expenses include brokerage commissions, transaction fees, custodial fees, and other related costs and expenses.

#### *Consultation Services for Qualified Plans*

The scope of the services that we provide to sponsors of defined contribution retirement plans varies, depending upon the needs of the particular plan sponsor. In some instances, we select a menu of mutual funds to be included as investment options for plan participants. Other services that we provide include attending plan enrollment meetings and providing educational sessions to plan participants. At the request of a plan sponsor, we may also review plan expenses, identify service providers and provide guidance for dealing with service providers. These engagements require the payment of an annual retainer fee.

As of December 31, 2013, MJB managed \$64,328,401 of client assets on a discretionary basis and \$81,035,033 of client assets on a non-discretionary basis.

### ITEM 5 – FEES AND COMPENSATION

#### *Portfolio Management Services*

We charge a fee as a percentage of assets under management. Our standard fees for portfolio management services are set forth below. These fees are applicable under circumstances where we manage a client's portfolio on a discretionary basis.

|                       |                 |
|-----------------------|-----------------|
| \$1 to \$3,000,000.00 | 1% per annum    |
| Above \$3,000,000.00  | 0.75% per annum |

Fees are generally not negotiable; however, MJB reserves the right to modify its fee structure in light of a client's special circumstances. Such circumstances may include, without limitation, the types of services provided, the complexity and level of service provided, the number of different accounts and the total assets under management for that client, other services provided by us, relationship to us, and other factors that we deem relevant. For individual clients fees are deducted from client assets in arrears at the end of each calendar quarter.

#### ► *Additional Expenses*

The management fees set forth above cover fees only for services that we provide. The fees do not cover any other fees that may be incurred in connection with the implementation of a client's investment program, including, but not limited to, the following: (1) the fees and costs associated with the ownership of investment products such as mutual funds; (2) transaction costs associated with the purchase of mutual funds and individual securities such as stocks and bonds; and (3) custody costs.

Most client portfolios are structured to consist primarily of mutual funds, all of which are purchased on a no-load or load-waived basis. There is generally no sales charge involved in the

purchase of mutual funds. However, certain mutual funds purchased through Charles Schwab & Co., Inc. will be purchased subject to a transaction fee charged by Charles Schwab & Co., Inc. Mutual funds have ongoing expenses (e.g., management fees) that clients pay indirectly on an ongoing basis. We do not receive compensation of any kind from mutual funds or their affiliates in connection with making an investment recommendation that results in the purchase of mutual funds.

#### *Investment Consultation Services.*

We also provide ongoing investment consultation services to clients who do not provide us with discretionary authority over their investment accounts. The minimum annual retainer for these services is \$10,000. The fee is payable in four equal quarterly installments following the end of each quarter.

#### *Consultation Services for Qualified Plans*

We require an annual retainer fee for the services that we provide to various qualified plans (e.g. 401(k) Plans and 403(b) Plans). The fee is payable in four equal quarterly installments following the end of each quarter. The minimum annual retainer is \$10,000.

### ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (i.e., performance-based fees). Our advisory fee compensation is charged only as disclosed in Item 5 – Fees and Compensation above.

### ITEM 7 – TYPES OF CLIENTS

As described in Item 4 (Advisory Business), we provide advisory services to individual clients, high net worth clients, certain business organizations, and qualified retirement plans. The minimum deposit to open an account for which portfolio management services will be provided is \$1,000,000. We reserve the right to waive this requirement in our sole discretion.

### ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### *Methods of Analysis and Risk of Loss*

Our investment advisory services are tailored to the individual needs of our clients based on their investment objectives, strategies and guidelines. In providing advice, we invest (or recommend for investment) client assets (whether through an investment manager, investment fund or directly) in securities described in Item 4 – Advisory Business above. Investing in securities involves risk of loss that clients should be prepared to bear.

We use the fundamental security analysis method for evaluating a security, which entails examining related economic factors (including the overall economy and industry conditions), company-specific factors (including the financial condition and management of a company) and

other qualitative and quantitative factors to measure a security's intrinsic value. The main sources of information we use for our services include inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, issuer press releases and financial newspapers and magazines.

With respect to the selection of investment managers and investment funds, we utilize a database developed from both commercial and proprietary sources from which return and other data regarding investment managers and investment funds are aggregated. In analyzing managers and funds for investment, we employ both a returns-based, quantitative process as well as a qualitative process. The quantitative process is intended to identify managers and funds that have shown a potential ability to outperform their peers and/or the markets and strategies in which they invest. The qualitative process generally entails dialogue (telephonic or in person) regarding the manager's or fund's methods of analysis, investment strategies and risks associated therewith, a review of the relevant materials provided by the investment manager or fund (for example, legal documentation, marketing presentations, monthly/quarterly letters, regulatory filings and financial statements), and if necessary, reference, service provider and background checks.

#### *Investment Strategies and Material Risks*

Below is a general summary of the significant investment strategies and material risks associated with such strategies and the most common types of investments made by our clients. For additional information with respect to mutual funds (including specific investment strategies for and material risks related to a particular mutual fund), clients should review the relevant prospectuses for such investments provided by their custodian.

#### *Investment Strategies*

The investment strategies used to implement our investment advice include investing in equities (both U.S. and non-U.S.), debt and various mutual funds whose managers can invest in equities, debt and various hedging strategies.

#### *Material Risks*

*Fundamental Analysis.* Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

*Equity and Equity-Related Risks.* Equity and equity-related investments carry a relatively high degree of risk due to the business and financial uncertainties facing individual issuers. The value of equity securities may fluctuate in response to specific situations for each company, industry or sector market conditions and general economic environments. For instance, certain issuers may experience financial difficulties, which they may not overcome. Additionally, changes in economic conditions, including interest rates, trends, tax laws and numerous other factors can affect substantially and adversely the prospects of any issuer.

*Investment Company Securities.* Different investment company securities have inherently different risk characteristics and should not be compared side by side. For example, a bond mutual fund with below-average risk should not be compared to a stock mutual fund with below average risk. Even though both funds have low risk for their respective categories, stock mutual funds typically overall have a higher risk/return potential than bond funds. There are several types of investment company securities including ones distinguished by asset class (e.g., cash investments/money markets), industry sector (such as life insurance and annuities), bonds v. stocks, and hybrid securities. These securities can range from being very conservative to being very aggressive. Investment company securities, like other securities, face risks based on the investments they hold. For example, a bond mutual fund faces interest rate risk, income risk and credit risk. Similarly, a sector stock mutual fund is at risk that its price will decline due to developments in its industry.

*Non-U.S. Investment Risk.* Investing in securities and interests of non-U.S. governments and companies that are generally not denominated in U.S. dollars and utilization of currency forward contracts and options on currencies involve certain considerations not typically associated with investing in securities and interests of the U.S. government or U.S. companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriations, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Concentration of investments in certain countries, of course, will increase the client's risk of loss.

*Reliance on Management of Issuers and Portfolio Managers.* While it is our intent to invest in (or recommend) companies with proven operating management in place, there can be no assurance that such management will continue to operate successfully. Although we will monitor the performance of each investment, we will largely rely upon management to operate the portfolio companies on a day-to-day basis. With respect to portfolio managers of an underlying investment (e.g., mutual funds) in a client's account, the success of the client's accounts depends upon the ability of such portfolio managers with whom a client invests its assets to develop and implement investment strategies that achieve their investment objectives. For example, the inability of any portfolio fund manager to effectively hedge an investment strategy that it utilizes (or a determination not to hedge) could result in substantial losses to a client. Moreover, subjective decisions made by any portfolio fund manager may



cause the underlying investment to incur losses or to miss profit opportunities on which it may otherwise have capitalized, resulting in losses or missed profit opportunities for the client.

*Hedging.* For discretionary accounts, we may, but are not required to, engage in various portfolio strategies, to seek to hedge against movements in the equity markets, interest rates and exchange rates between currencies by the use of options. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, we may not seek or be able to establish a sufficiently accurate correlation between such hedging instruments and the portfolio holdings being hedged. Such an imperfect correlation may prevent the client from achieving the intended hedge or expose the client to risk of loss. Hedging may be employed to limit certain market risks and credit risks. As a general matter, a client's portfolio will still be exposed to basic event risk and other risks attendant to its investment strategy, which risks will not be generally hedged. Suitable hedging instruments may not be available with respect to securities of issuers on a timely basis and on acceptable terms. Furthermore, even if hedging techniques are available, we may only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when market or currency movements occur. In addition, utilization of options transactions involves the risk of imperfect correlation in movements in the price of options and movements in the price of the securities, interest rates or currencies, which are the subject of the hedge. Hedging transactions in non-U.S. markets are also subject to the risk factors associated with non-U.S. investments generally, as discussed herein.

*Tiered Fee Structure.* Clients may bear multiple investment management fees from their investments in addition to what we charge that in the aggregate will exceed the fees, which would typically be incurred by an investment with a single portfolio manager. Clients may also invest in funds that invest in other investment vehicles (e.g., fund of funds), thereby subjecting the client to an additional level of fees.

*Stock Market Risk.* Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions. Small companies often have limited product lines, markets, or financial resources and their management may lack depth and experience.

*Systemic Risk.* World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a client losing substantial value caused predominantly by liquidity and other issues such as the inability for an issuer to receive financing for capital improvements, projects or other obligations, which could result in a client incurring substantial losses.

*Risk of Loss and Past Performance.* Investments in securities are speculative and investors may incur substantial losses on their investments. Any past investment performance of an investment or an investment manager should not be construed as an indication of the future results of these entities. There can be no assurance that any of them will achieve our clients' respective investment objectives or provide returns to our clients.

*Concentration of Investments.* Investment managers of underlying investments or a client may seek to concentrate their assets in one or more investments, investment strategies, sectors, geographies or other segments of the market. As a result, a client's portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its return and increase the volatility thereof relative to that of a more fully diversified investment portfolio.

*Governmental, Legal, Tax and Regulatory Risks.* The global financial markets continue to be subject to pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Intervention has in certain cases been implemented on an "emergency" basis with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or otherwise negatively implicated. Given the complexities of the global financial markets and the limited timeframe within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of these markets as well as previously successful investment strategies.

Legal, tax and regulatory changes could occur that may materially adversely affect a client's ability to pursue its investment objectives or strategies. Similarly, the U.S. Congress has enacted sweeping legislation regarding the operations of banks, private fund managers and other financial institutions. It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of these restrictions on a client's ability to fulfill its investment objective. Legislation or regulation, which could be substantial and is unpredictable, could pose additional risks and result in material adverse consequences for clients and/or limit potential investment strategies that would have otherwise been used by clients in order to seek to obtain higher returns.

*Insolvency Considerations with Respect to Issuers of Indebtedness.* Various laws enacted for the protection of creditors may apply to indebtedness in which clients may invest. The information in this and the following paragraph is applicable with respect to U.S. issuers subject to U.S.

federal bankruptcy law. Insolvency considerations may differ with respect to other issuers. If, in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of indebtedness, a court were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness and that, after giving effect to this indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay its debts as they mature, a court could determine to invalidate, in whole or in part, this indebtedness as a fraudulent conveyance, to subordinate this indebtedness to existing or future creditors of the issuer, or to recover amounts previously paid by the issuer in satisfaction of the indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was “insolvent” after giving effect to the incurrence of the indebtedness in which a client invested or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to its incurrence. In addition, in the event of the insolvency of an issuer of indebtedness in which a client invests, payments made on its indebtedness could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on indebtedness are avoidable, whether as fraudulent conveyances or preferences, they can be recaptured from the client to whom the payments were made, resulting in losses.

Indebtedness consisting of obligations of non-U.S. issuers may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

*Non-U.S. Currency Transactions and Exchange Rate Risk.* Non-U.S. currency transactions may be engaged in for a variety of purposes, including to “lock in” the U.S. dollar price of a non-U.S. security between the trade and the settlement date or to hedge the U.S. dollar value of non-U.S. securities held in a portfolio. These transactions may also be engaged in for non-hedging purposes to generate returns. To the extent un-hedged, the value of client assets will fluctuate with U.S. dollar exchange rates as well as with price changes of its investments in the various local markets and currencies. Options and other instruments may be utilized to hedge against currency fluctuations, but are not required to be utilized, and there can be no assurance that these types of hedging transactions will be available or, even if undertaken, effective.

#### ITEM 9 – DISCIPLINARY INFORMATION

Form ADV Part 2 requires investment advisers such as MJB to disclose legal or disciplinary events involving the firm or its partners, officers, or principals that are material to your

evaluation of our advisory business or the integrity of our management. At this time, we have no information to report that is applicable to this item.

#### ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

MJB has no other financial industry activities or outside affiliations to disclose. We may select and monitor other investment managers on behalf of our clients. However, we receive no compensation, directly or indirectly, from such investment advisers.

#### ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

##### *Code of Ethics*

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust, and we have adopted a Code of Ethics (the “Code”) to help us meet these standards. The Code of Ethics is designed to ensure, among other things, that our employees conduct their activities in a manner where clients’ interests are placed first and foremost and are consistent with the law. In particular, the Code of Ethics is designed to address certain violations of the Investment Advisers Act; violations of the insider trading laws, rules, and regulations; reputational harm to MJB; and regulatory fines and penalties for violations of our Code of Ethics.

An existing or prospective client may obtain a copy of the Code of Ethics by contacting Richard Bregman, Chief Executive Officer at (212) 333-3733 or [rbregman@mjbam.com](mailto:rbregman@mjbam.com).

##### ► *Participation or Interest in Client Transactions and Personal Trading*

It is our policy not to allow ourselves to benefit in our own personal investments, directly or indirectly, at the expense of clients. However, MJB and/or related persons (“MJB Persons”), however, often invest in the same securities as its clients. Sometimes, securities that are currently owned by MJB Persons may also be purchased for clients. When the purchase of a security is under active consideration for clients’ accounts, MJB Persons may purchase those securities either at the same time or after those clients’ purchases have been completed. For example, from time to time, we may decide to buy (or recommend to buy) a security for those clients for whom it would be appropriate based on their investment objectives, current level of cash, and other considerations. At the same time or immediately after those clients’ purchases have been made, the security may be purchased simultaneously or immediately thereafter in the accounts of MJB Persons. Because we construct most client portfolios to consist of mutual funds, which are priced each day following the close of the New York Stock Exchange, the sequencing of trades discussed above is typically not a consideration.

On occasion, we may deem it in the best interests of our clients to purchase shares of securities in the accounts of MJB Persons prior to making such purchases for our clients in order to better assess prospective investments in such securities on behalf of our clients. Such purchases are

likely not to have an adverse impact on the price at which such shares are purchased for client accounts. There may also be a relatively small number of instances, such as an initial public offering of securities, in which all purchases have to be made at the same time and price. In those instances, MJB Persons would purchase at the same time and price as clients.

When the sale of a security is under active consideration, sales of that security may be made for the accounts of MJB Persons either at the same time or immediately after the sales for clients' accounts have been completed. There may be relatively infrequent situations, such as tender offers or forced conversions, in which all sales must typically be made at the same time and price, in which instance, MJB Persons would sell at the same time and price as clients.

Notwithstanding the above in this Item 11, there may be times when MJB Persons purchase or sell for themselves different securities as are purchased or sold (or recommended to) its clients. Additionally, MJB Persons may purchase or sell (or recommend the purchase or sale of) the same or different securities for different clients at the same or different times. For example, the same security may be purchased for any other clients' accounts at some future date when their situations change, such as a change in investment objective, level of cash or otherwise.

There is an inherent conflict of interest between our obligation to act in the best interest of our clients and the economic interest of MJB Persons. To mitigate the conflicts of interest, we have implemented an investment policy for personal securities transactions in addition to how the conflicts are addressed above. All personal trades made by our access persons are reviewed by supervisory personnel (except transactions in investment company securities and/or other exempt transactions). Additionally, our policies and procedures prohibit the misuse of material non-public information and are designed to prevent insider trading by our representatives. Our employees conduct their activities in a manner where clients' interests are placed first and foremost and are consistent with the law.

We may from time to time deem it to be efficient to purchase certain securities by aggregating the MJB Persons' orders with that of our clients. Any such purchases and allocations will be done in a manner that is fair and equitable to the clients. See Item 12 – Brokerage Practices for additional information.

We do not enter into a transaction where we buy or sell securities between us and any of our clients (i.e., principal transaction) or a transaction effecting as agent for our clients, a purchase or sale of securities or other assets between two or more clients (i.e., agency transaction). Should we ever enter in such transactions, they will be consistent with our duties to our clients and only after prior disclosure to and written approval from the client has been obtained, as required by applicable law.

#### ► *Allocation of Investment Opportunities*

Under circumstances where we believe that a particular investment is suitable for more than one client, and where less than the maximum desired number of shares (or interests) to be purchased is available at a favorable price, we will generally allocate the investment on a pro

rata basis (subject to certain exceptions as described below), provided that all participating clients are treated fairly on an overall basis and the variation from a pro rata allocation does not result in an unfair advantage or disadvantage to a client, or unfairly advantage us or our representatives. Notwithstanding the foregoing, a client's liquidity, investment minimums, the degree of control we exercise over the assets of a client, and other factors, consistent with the best interests of the clients, may prevent an investment from being purchased on a pro rata basis for all of those clients for which the investment was believed by us to be suitable. See Item 12 – Brokerage Practices for additional information.

## ITEM 12 – BROKERAGE PRACTICES

### *General Brokerage Practices*

MJB generally establishes brokerage and custody accounts for its clients with the Institutional Division of Charles Schwab & Co., Inc. ("Schwab"), to maintain custody of clients' assets and to effect trades for their accounts. 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 Schwab or that settle into the client's account with Schwab. Not all advisers require their clients to utilize the services of a particular custodian. MJB is not affiliated with Schwab.

For accounts for which we have discretion, our discretion generally includes which securities to buy or sell, the total amount of securities to buy or sell, and the broker-dealer to be used in executing the transaction. Limitations on our authority are guided by (i) our responsibility to act as a fiduciary when handling clients' accounts and (ii) the obligation (subject to condition specified in this Item 12) to seek best execution on clients' trades.

In instances where we have discretion over which broker-dealer or other counterparty will be used in executing transactions, the primary goal is to achieve best execution on an overall basis — i.e., execution of client trades in such a manner that the client's total costs or proceeds in each transaction is the most favorable under all the circumstances. In connection with its determination of whether "best execution" has been obtained, we will consider the full range of services available from and the characteristics of each broker-dealer without a rigid formula in selecting a broker-dealer. Such services and characteristics may include, but are not limited to the following:

- commission rates, spreads and other costs and the reasonableness of such costs
- skills, reputation and dependability
- financial stability and responsibility
- capital strength and stability
- compatibility with the client
- execution, clearance and settlement capabilities
- value and quality of brokerage and research products and services provided
- success of prior research recommendations
- depth of products and services provided including back office and processing capabilities
- the nature and character of the security or instrument being traded and the activity

- nature and frequency of sales coverage
  - responsiveness and desired timing of the transaction
- existing and expected in the markets on which it is purchased or sold

The selection of a broker-dealer is not based upon a financial arrangement between MJB and the recommended broker-dealer. We are not required to (i) obtain the lowest brokerage commission rates or (ii) combine or arrange orders to obtain the lowest brokerage commission rates. We are also not required to solicit competitive bids. We do not negotiate “execution only” commission rates. Thus, if we determine in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and research products or services provided by such broker-dealer, viewed in terms of either the specific transaction or our overall responsibility to our clients, clients may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge for “execution only” commissions or for other products and services to be included in the commission rate. We regularly evaluate the placement of brokerage and the reasonableness of commissions paid. To the extent to which commission rates or net prices charged by broker-dealers reflecting the value of research and brokerage provided cannot be readily determined, our expenses could increase materially if we attempt to generate such additional information and services on our own.

Clients should expect that their securities transactions will generate brokerage commissions and other costs, all of which is borne by the client, and not us.

► *Research and Other Soft Dollar Benefits*

The services provided by Schwab to our clients include brokerage and custody of assets. Schwab may also make available to MJB other products and services that benefit MJB, but may not provide a direct benefit to client accounts. These products and services may assist us in managing and administering client accounts. These products and services also benefit MJB because MJB does not have to produce the research or pay for such research, products or services. These benefits can include, among others, software and other technology that:

- Provide access to client account data (such as trade confirmations 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 our fees from client accounts; and
- Assist with back-office support, recordkeeping and client reporting.

Many of these services may be used to service all or a substantial number of MJB’s accounts. From time to time, Schwab may also provide MJB with other services that are intended to help MJB manage and further develop its business enterprise. These services may include

consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. From time to time, Schwab may discount or waive fees that it would otherwise charge MJB for some of these services. These benefits create an incentive for MJB to select Schwab as the custodian for its clients' accounts. While as a fiduciary, MJB endeavors to act in its clients' best interests, MJB's decision to maintain client assets with Schwab may be based, in part, on the benefit to MJB of the availability of some or all of these products and/or services, rather than considerations relating to the nature, cost or quality of custody and brokerage services provided by the custodian. These competing considerations create a potential conflict of interest between MJB and its clients.

While clients benefit from many of the services obtained with soft dollars generated by client trades, each client will not benefit exclusively. In certain instances, brokerage and research products or services obtained with soft dollars generated by a client may be used to subsidize service for other clients that may not have generated such trades, and thus, such client whose trades provided for the products or services may benefit, or receive no benefit, from such products or services. For example, clients who grant us complete discretion with respect to the selection of a broker-dealer may subsidize research provided to clients who direct the use of a particular broker-dealer since the dollars generated by transactions for such directed brokerage clients may not be available to pay for research that may be received from other broker-dealers. Therefore, in the case of any particular transaction or transactions, a client may pay higher rates, compared to the absence of soft dollar arrangements, without such client that paid the higher rates receiving any benefit. Therefore, to the extent we have discretion to select broker-dealers, we may have an incentive to select broker-dealers based on its interest in receiving the soft dollar products or services at a reduced cost to us, rather than based on the clients' interest in receiving most favorable execution.

#### ► *Directed Brokerage*

Clients may direct that their transactions be effected through particular brokers-dealers or may require us to effect transactions through the broker-dealer that maintains custody of the clients' assets. Such clients may pay higher commission rates or receive less favorable execution on some transactions than non-directing clients at least in part because the directed broker-dealer may maintain a higher commission schedule or provide less favorable service or because such transactions may be excluded from aggregated orders and any corresponding economies of scale resulting in less favorable prices. In such situations, transactions for such clients may also not be executed until after transactions for clients who do not direct us to use a specific broker have been executed. In addition, a client who directs us to use a specific broker-dealer may not be able to participate in an allocation of shares of a new issue if those shares are sold by another broker-dealer and, such client may be charged a commission in addition to any other transactional charge for such securities. We may also have a potential conflict of interest if the directed broker-dealer has referred the client or other of our clients. In instances where the client directs us to use a specific broker-dealer, the commission rate will



be negotiated by the client. Clients who request that we direct transactions to particular broker-dealers should be aware that lower-cost trading platforms are available to them.

► *Aggregation of Orders*

In order to achieve more efficient execution, we may direct the broker-dealer to aggregate orders, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a trade is aggregated, each participating client receives a price that represents the average of the prices at which all of the transactions in a given aggregated order were executed. Executing an aggregated trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis in proportion to each client's original order or in some other equitable manner.

Transactions for the accounts of our employees and advisory representatives may be included in the aggregated orders. Any such purchases and allocations will be done in a manner that is fair and equitable to our clients.

Trades are aggregated only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for non-discretionary client accounts are not aggregated with transactions for discretionary client accounts.

We are not obligated to include any client account in an aggregated order. Aggregated orders will not be placed for any client's account if doing so is prohibited or otherwise inconsistent with the client's management agreement. If orders are not aggregated, clients will not receive the benefit of better pricing that may be received from aggregated orders; thus, such transactions will be more costly for the clients.

#### ITEM 13 – REVIEW OF ACCOUNTS

We review client accounts on a periodic basis, which can be weekly or monthly or some other periodic basis, depending on a number of factors relevant to each client's situation. Reviews generally involve verification of compliance with investment objectives for the account, an assessment of diversification among asset classes and investments and/or an assessment of the investment performance of the account as compared to objective performance standards (i.e., benchmarks). This review is carried out by our Chief Executive Officer.

We provide clients with unaudited quarterly written statements regarding their account(s) covering the current market value of their investments and performance information. All clients get monthly written statements from their custodian.

#### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

As a matter of policy, the firm does not currently compensate third parties for client referrals. In the event that the firm determines to change this policy, it will structure such arrangements in accordance with applicable regulations.

#### ITEM 15 – CUSTODY

We do not have custody of client funds or securities. Accounts are usually held in the client's name at Charles Schwab & Co., Inc., an independent and qualified custodian. We urge clients to review account statements received from the custodian and compare the statements received from the qualified custodian with the statements they receive from us.

#### ITEM 16 – INVESTMENT DISCRETION

We receive and exercise discretionary authority to manage investments on behalf of most clients. As noted in Item 4 – Advisory Business above, there may be times when clients impose limitations on this discretion with respect to: (i) the specific types of investments or asset classes that we will or will not purchase for their account; (ii) the nature of the issuers of investments that we will or will not purchase for their account (e.g., no “sin” issuers, such as companies primarily doing business related to alcohol or tobacco); or (iii) the risk profile of instruments we will or will not purchase for their account, or the risk profile of the account as a whole.

We typically assume this authority through a limited power of attorney or contract provision granted or entered into by a client.

#### ITEM 17 – VOTING CLIENT SECURITIES

Unless clients retain such authority, we vote, or make recommendations to clients with respect to the voting of, proxy proposals, amendments, consents or resolutions (collectively, “proxies”) related to investments in clients' accounts in a manner that seeks to serve the best interests of our clients taking into account the following factors: (i) the impact on the value of the returns of such investments; (ii) the attraction of additional capital to such investments; (iii) the alignment of the interests of the management of such investments with the interests of the beneficial owners of such investments, including establishing appropriate incentives for such management; (iv) the costs associated with the proxy; (v) the impact on redemption or withdrawal rights; (vi) the continued or increased availability of portfolio information; and (vii) industry and business practices. In general, we seek to resolve any potential conflicts of interest associated with any proxy by applying the foregoing general policy of seeking to serve the best interests of the firm's clients. Clients may contact Richard Bregman, Chief Executive Officer at (212) 333-3733 or rbregman@mjbam.com if they wish to know how their proxies were voted by us on their behalf.

For proxies for which we do not have the authority to vote, we will not take any action or render any advice to such client with respect to the voting of proxies solicited by, or with respect to, the issuers of any other securities held by any client or in any client's account. Clients will either retain such discretion or delegate such discretion to another party. Such clients will receive their proxies or other solicitation directly from their custodian. If clients have questions regarding a particular solicitation, clients should contact the custodian.

Regardless of whether or not we have the authority to vote, or make recommendations to clients with respect to the voting of, proxies on behalf of clients, we will not render any advice or take any action on behalf of clients with respect to securities or other investments held in any account, or the issuers thereof, that become the subject of any legal proceedings, including bankruptcies and litigations. Clients retain the right and obligation to take such legal action.

#### ITEM 18 – FINANCIAL INFORMATION

Form ADV Part 2 requires investment advisers such as MJB to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. At this time, we have no information to report that is applicable to this item.

#### ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Form ADV Part 2 requires responses to Item 19 if an investment adviser is registered with one or more state securities authorities. This item is not applicable to MJB.