

## **Firm Brochure**

(Part 2A of Form ADV)

**Cobey, Jacobson & Gordon, Inc.**

**30 North Raymond Avenue  
Pasadena, CA 91103**

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This brochure provides information about the qualifications and business practices of Cobey, Jacobson & Gordon, Inc. ("Applicant"). If you have any questions about the contents of this brochure, please contact us at: 626-584-3000, or by email at: [htc@cobeyinc.com](mailto:htc@cobeyinc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Applicant is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 21, 2016

## **Material Changes**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. As of February 1, 2015 the principal mailing address of the firm is 30 North Raymond Ave. Pasadena, CA 91103.

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Herbert Todd Cobey, Jr.

Paul C. Sassi

## **Advisory Business**

### **Firm Description**

Cobey, Jacobson & Gordon, Inc. ("Applicant") was founded in 1983.

Cobey, Jacobson & Gordon, Inc. provides personalized confidential investment management for individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Each portfolio's strategy is principally determined by individual client financial objectives as expressed in consultations which consider, among other factors, current income needs, risk tolerance, safety of principal and growth.

Applicant is a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Applicant does not act as a custodian of client assets. Applicant places trades for clients by the authority of and under the conditions of the contractual relationship between the Applicant and client.

Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

### **Asset Management**

Cobey, Jacobson & Gordon, Inc. invests client assets in publicly traded securities including common and preferred stocks, taxable bonds including issues of the United States Government, tax exempt bonds, bonds convertible into equities, options on publicly traded securities or commodities, options on popular indices, futures, exchange traded funds, securities representing indices and warrants. Invested securities may be exchange-traded or traded over-the counter and are issued by domestic or foreign issuers. Client assets may also be invested in cash equivalent mutual funds; funds which are invested in securities with maturities under one year and whose characteristics are similar to cash assets.

Securities may be purchased or sold through a brokerage account when appropriate. The brokerage firm may charge a fee for stock and bond trades. Applicant does not receive any compensation, in any form, from fund companies or brokerages.

Applicant employs a variety of analysis methods in order to make investment decisions. These methods include, but are not limited to: charting, fundamental individual company analysis, macro-economic, and sector analysis as well as a variety of technical analysis methods.

The main sources of information used by Cobey, Jacobson & Gordon, Inc. include inspection of corporate activities, financial newspapers and magazines, research materials prepared by others, corporate rating services, various analytic materials delivered electronically, company press releases and conference calls, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

Depending on an individual client's goals and needs Applicant ordinarily employs the following strategies to implement any investment advice or decisions: Long term purchases (securities held at least one year); Short term purchases (securities sold within a year); Trading (securities sold within thirty days); Short sales; Margin transactions; Option writing, including covered options, uncovered options and spreading strategies.

Herbert Todd Cobey, Jr. owns the principal amount of and controlling interest in the shares of Cobey, Jacobson & Gordon, Inc.\_

### **Tailored Relationships**

Clients may impose restrictions on investing in certain securities or types of securities.\_

### **Types of Advisory Services**

Cobey, Jacobson & Gordon, Inc. provides asset management services; manages investment advisory accounts not involving custodial services and may furnish investment advice through consultations. As of 03/31/15, Applicant managed approximately \$109,154,493 in assets for approximately 16 clients all of which are managed on a discretionary basis.

### **Termination of Agreement**

A Client may terminate any asset management contract with the Applicant at any time by notifying Applicant and paying the rate for the time spent on the investment advisory engagement prior to notification of termination.

Applicant may terminate any of the aforementioned agreements at any time by notifying the client in writing

## **Fees and Compensation**

### **Fee Calculation**

Applicant intends to charge for its investment services on the basis of a percentage of assets under management in each portfolio in accordance with the following schedule: 1) For common stocks, convertible bonds, convertible preferred shares and all other assets in an account which are not cash, cash equivalents, long or short term fixed income securities the annual rate shall be 1% of the first \$5,000,000 and ½ of 1% for market value in excess of \$5,000,000. 2) For cash, cash equivalents, long and short term fixed income securities without convertibility the rate shall be ½ of 1%. For purposes of the above “short or long term fixed income securities” means fixed income securities without convertibility or any other equity feature and with maturities longer than one year at the time of acquisition.

Fees are subject to negotiation.

From time to time Cobey, Jacobson & Gordon, Inc. may waive or reduce fees for an individual or several accounts permanently or temporarily with or without prior notice. Cobey, Jacobson & Gordon, Inc. may make such a decision based on a variety of criteria including, dollar amounts of assets to be managed, related accounts, account composition, account performance, client cash flow considerations, client liquidity needs.

From time to time Cobey, Jacobson & Gordon, Inc. may also in certain instances, with agreement of the client as specified in an investment management contract, charge a fee based on the market performance of a client portfolio. Such fee arrangements are based on a number of factors including the size and the investment objectives of the portfolio, but are typically 20-25% of gains billed on a bi-yearly or yearly basis, after achieving a “high water mark” threshold. Such accounts may also have a management fee, typically 1% of assets in addition to the fees based on the market value performance.

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### **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that clients are billed for services rendered four times a year after the end of



each calendar quarter. Fees will be calculated on the last business day of each calendar quarter based on the market value of the cash and securities held in the account on those dates. Fees will be equitably pro-rated if the advisory agreement period begins or ends other than on the first or last day of the business calendar quarter. Ordinarily, and as specified in the advisory agreement, fees are debited by the custodian for each portfolio. Clients may request that the advisory agreement specify or may otherwise instruct the Applicant to provide an invoice to them directly to which they can respond by direct and full payment to Cobey, Jacobson & Gordon, Inc.\_

### **Other Fees**

Applicant has arranged for one custodian to perform the full range of custodial duties at no charge to clients of the Applicant. Many of the Applicant's clients domicile their assets at this custodian. However, clients may designate custodians of their choice and some clients have chosen other custodians who may charge custody fees for services performed. Cash management mutual funds, exchange traded funds or similar entities may charge fees for transactions or other services. These transaction charges are ordinarily modest and incidental to the purchase or sale of a security. Applicant receives no fee or other compensation from any custodian.

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### **Past Due Accounts and Termination of Agreement**

Applicant reserves the right to discontinue management of any account that is more than 30 days overdue. In addition, Applicant reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Applicant's judgment, to providing proper financial advice

## **Types of Clients**

### **Description**

Cobey, Jacobson & Gordon, Inc. generally provides investment advice to very high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, smaller corporations or business entities.

Client relationships vary in scope and length of service.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, macro-economic analysis, sector analysis, political and social and cyclical analysis.

The main sources of information include financial newspapers and magazines, analysis, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and press releases, interviews, meetings and conference calls.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

Particular attention to the issue of loss prevention is not just important for clients whose goal is retention of capital. We believe that superior performance is gained by above-average attention to the issue of risk, especially because the mathematics of loss are compelling when computing performance over a longer term. Example: a fifty percent loss requires a gain of 100% to recover starting capital.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Among risks attendant to security of investment are the following:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. .

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

### **Legal and Disciplinary**

The firm and its employees have never been subject to legal or regulatory discipline related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

Applicant is registered only as an investment advisor. Applicant is not registered as securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

**Affiliations**

Applicant has no arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

A related person of the Applicant is the general partner of and investor in an investment partnership, the Ellis Fund Limited Partnership, in which Applicant's clients have and may invest from time to time. Applicant or related person receives no fees or other compensation with respect to the general partnership of the EFLP. Applicant may purchase or sell securities for clients which are also purchased or sold by the partnership.

On rare occasions it is possible that Applicant may recommend that clients purchase or sell securities in which Applicant or a related person has some financial interest. In such an event the financial interest of the Applicant or related person shall be fully disclosed.

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

An extensive code of ethics has been developed for the Applicant by the Applicant's attorneys. It is available to clients on request. Applicant describes its code of ethics as being strictly observant of statutes, laws and regulations that govern the investment industry including those that govern registered investment advisors registered under the 940 Act as well as strictly observant to the definitions of honesty, common sense, and good business practice.\_

**Personal Trading**

The Chief Compliance Officer of Applicant is Herbert Todd Cobey, Jr. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment

## **Brokerage Practices**

### **Selecting Brokerage Firms**

Certain clients may direct Applicant to use certain brokers. Ordinarily Applicant chooses brokers. Brokers are chosen by Applicant 1) for the ability to execute orders in a timely efficient manner achieving execution prices that best serve the interest of the Applicant's clients. 2) Brokers provide certain services which benefit all Applicants' clients ordinarily free from fees and when not, fees are paid by Applicant and not client. This is principally economic and security analytic research. 3) Certain brokers provide services to clients principally custody services. 4) Certain brokers, particularly in tax-exempt fixed income markets, offer securities for sale not available for sale from other brokers. In fact, this is common practice in the tax exempt fixed income market. Applicant believes that commissions and spreads paid to brokers executing trades are at or below industry averages.

### **Best Execution**

Applicant reviews the execution of trades and the attendant commissions at each custodian on a continuing basis. Applicant does not receive any portion of the trading fees.\_

### **Soft Dollars**

Applicant receives no soft dollar credits

### **Order Aggregation**

Client orders are often aggregated or combined with other clients. In such cases all clients receive executions at the same prices.

## **Review of Accounts**

### **Periodic Reviews**

Ordinarily Applicant reviews accounts on a daily or weekly basis. From time to time certain accounts may be reviewed at an interval which is no longer than one month. Reviews are undertaken in the context of conditions in a security's issuer, the economic, social, political or market environment.\_

**Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal circumstances.\_

**Regular Reports**

Applicant issues quarterly reports to clients which include portfolio holdings, lists of transactions and various analytic materials relating to client holdings.

**Client Referrals and Other Compensation****Incoming Referrals**

Applicant has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, competitors, brokerages and similar sources. The firm has not compensated referring parties for these referrals.\_

**Referrals Out**

Applicant does not accept referral fees or any form of remuneration from other professionals.

**Custody****Account Statements**

All assets are held at qualified custodians, which provide monthly account statements directly to clients at their address of record.\_

**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the statements provided by Applicant.

**Investment Discretion****Discretionary Authority for Trading**

As specified in an investment management contract Applicant accepts discretionary authority to manage securities accounts on behalf of clients.

Applicant has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used and Applicant negotiates transaction fees and commissions on behalf of clients

Discretionary trading authority facilitates placing trades in clients' behalf so that Applicant may promptly implement the appropriate investment strategies.

## **Voting Client Securities**

### **Proxy Votes**

Unless the client designates otherwise, Applicant votes proxies for securities over which it maintains discretionary authority consistent with its best judgment as to how such votes serve clients' interests proxy voting policy.

## **Financial Information**

### **Financial Condition**

Applicant does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## **Information Security Program**

### **Information Security**

Applicant maintains an information security program to reduce the risk that client personal and confidential information may be breached.

### **Privacy Notice**

Applicant is committed to maintaining the confidentiality, integrity and security of the personal information.

At client direction, limited information is disclosed to attorneys, accountants, and mortgage lenders with whom clients have established relationships. With client permission, a limited amount of information about client may be shared with brokerage firms in order to execute client's securities transactions.

Applicant does not provide client personal information to mailing list vendors or solicitors. Applicant requires strict confidentiality in agreements with unaffiliated third parties that require access to your personal information, including consultants, and auditors. Federal and state securities regulators may review Applicant's and clients' personal records as permitted by law.

Personally identifiable client information will be maintained while a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

Applicant will notify Client in advance if its privacy policy is expected to change. Applicant is required by law to deliver a privacy notice to clients annually, in writing.



## **Brochure Supplement (Part 2B of Form ADV)**

### **Education and Business Standards**

Applicant has no formal or specific academic or career criteria for employment.

### **Professional Certifications**

#### **Herbert Todd Cobey, Jr.**

##### Educational Background:

Date of birth: May 20, 1942

Brooks School, North Andover, MA High School Diploma

Harvard College, Cambridge, MA AB cum laude 1965

Ohio State University 1966

Harvard Business School MBA 1968

##### Business Experience:

Goldman, Sachs & Co. 1968-1983

Cobey, Jacobson & Gordon, Inc. 1983--

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Mr. Cobey is CEO

#### **Paul C. Sassi**

##### Educational Background:

Date of birth: August 19, 1963

University of California at Davis, BS Economics

##### Business Experience:

Montgomery Securities 1990-1997

Last Five Years: Principal QIMC Funds, LLC.; proprietary trading and private investment contractor to investment company; private investor; consultant

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None