



## J. J. Burns & Company, LLC

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### **Form ADV Part 2A – Firm Brochure**

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Dated March 26, 2019

This brochure provides information about the qualifications and business practices of J. J. Burns & Company ("JJBCO"). If you have any questions about the contents of this brochure, please contact us at 631-390-0500. 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.

J.J. Burns & Company is registered as a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about JJBCO is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for J.J. Burns & Company is 140452.

# Item 2: Material Changes

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Since our last annual filing, dated February 22, 2019, the following material changes have been made:

- Item 1 (Cover Page): Firm has a new office address.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## **Description of Advisory Firm**

J.J. Burns & Company's registration was granted by the U.S. Securities and Exchange Commission on May 15, 2006. James Joseph Burns, CFP (CRD Number 1746094) is Owner and Chief Compliance Officer of JJBCO. Mr. Burns owns one hundred (100%) percent of the equity of JJBCO. JJBCO is not publicly owned or traded. There are no indirect owners of JJBCO or intermediaries who have any ownership interest in JJBCO. JJBCO manages each client's portfolio on an individualized basis. Clients may impose restrictions on their accounts. JJBCO does not participate in wrap programs. As of December 31, 2018, JJBCO managed assets on a discretionary basis in the amount of \$360,205,515.00 on a discretionary basis.

## **Types of Advisory Services**

### **Investment Management Services**

We are in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target.

Account supervision is guided by the stated objectives of the client (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Fees pertaining to this service are outlined in Item 5 of this brochure.

### **Financial Planning**

For clients who engage JJBCO for financial planning, we look at the whole picture: where the client is today, where they want to go, what they envision for their future—and future generations—and what it will take to get them there.

Our goal is to help the client plan and build the life they want. And it starts with a relationship. We spend time getting to know the client, including the things that matter to them and the people they care about. We help them clarify not just their financial goals, but what it means to them to live a rich life. We understand that wealth is much more than net worth—it's about family, security, meaning, purpose. It's about living life on their terms.

### **Developing A Personalized Plan**

Once we've identified the client's values, priorities, and goals, we begin the process of constructing their personalized, comprehensive plan, or "roadmap." We conduct an in-depth assessment of their financial situation, including their budget and cash flow, current assets, savings, and insurance needs. We also look

into their goals for retirement, for their estate, and the legacy they hope to pass on. Then we integrate all of these pieces into a comprehensive financial plan that's completely customized to them and their family.

### Elements of a Comprehensive Financial Plan

- **Cash Flow & Budget Analysis**— We analyze how much you earn, how much you spend, and how much is left over to fund your financial goals.
- **Net Worth Evaluation**— We look at your assets, debts, and savings. This gives us a clear understanding of your current financial health.
- **Risk Management & Insurance**— Are you and your family protected from life's contingencies? We assess the risks and make sure you're covered.
- **Investment Planning**— We build a diversified, strategic portfolio based on your tolerance for risk, investment time horizon, and targeted rate of growth.
- **Retirement Planning**— What are your retirement goals and how much do you need to save? We provide recommendations and projections based on your situation.
- **Estate Planning**— We look at elements involved in estate planning and the transfer of wealth to your heirs. The goal is to plan ahead for a seamless transition.
- **Heritage Planning**— We work with you to determine your goals for future generations and teach your loved one's important financial values and skills.

Of course, life isn't static—and neither is the financial plan. Needs and goals may change over time. There will be inevitable bumps in the road and unexpected developments and detours. At times we will need to reevaluate the financial strategy and make adjustments. A customized plan helps to guide us and keep us focused on the long-term vision.

### Client Tailored Services and Client Imposed Restrictions

We offer the same suite of services to all of our clients. However, specific client financial plans and their implementation are dependent upon a client's current situation and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

### Wrap Fee Programs

We do not participate in wrap fee programs.

## Item 5: Fees and Compensation

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Please note, unless a client has received JJBCO's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees and without penalty. How

we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## **Investment Management Services**

All of JJBCO's professional activities and advisory billings shall be attributable to the provision to clients of investment supervisory services. Specifically, JJBCO will provide asset management services to clients in exchange for compensation based upon assets under management. No fee is based on capital gains or capital appreciation of assets. No fee is payable more than six months in advance. Fees are negotiable and payable quarterly in arrears as follows:

Account Value	Annual Advisory Fee	Quarterly Billing
<b>Under \$2,000,000</b>	1.50%	0.375%
<b>\$2,000,001 - \$5,000,000</b>	1.25%	0.3125%
<b>\$5,000,001 and Above</b>	1.00%	0.25%

Advisory fees are directly debited from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 30 calendar days in advance. Since fees are paid in arrears, no rebate will be needed upon termination of the account.

## **Financial Planning Fixed Fee**

Financial Planning will generally be offered on a fixed fee basis. The fixed fee will be agreed upon before the start of any work. The fixed fee can range between \$3,000 and \$30,000 per annum based upon complexity. The fee is negotiable. JJBCO will provide financial planning advice to clients based upon written and oral presentations provided by clients as to determine specific needs. Half of this fee will be payable upon initial engagement with the balance of the fee due and payable upon delivery and completion. This service can be terminated at any time by the client who shall be refunded any unearned fees. No fee is payable more than six months in advance.

## **Other Types of Fees and Expenses**

JJBCO affects certain securities trades through "Prime Broker" which is a program that enables us to obtain global access to global analysts. Trading costs may be more or less than those obtained through Schwab. There is an additional charge of \$25.00 on each Prime Broker trade.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, 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. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6: Performance-Based Fees and Side-By-Side Management

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We do not offer performance-based fees.

## Item 7: Types of Clients

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We provide financial planning and portfolio management services to individuals, high net-worth individuals, pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations or other businesses. Our minimum account size requirement is \$1,000,000 but this may be waived at the discretion of JJBCO.

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

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Our primary method of investment analysis is fundamental analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

### Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk may be

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which clients invest.

## Item 9: Disciplinary Information

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### **Criminal or Civil Actions**

J.J. Burns & Company and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

J.J. Burns & Company and its management have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

J.J. Burns & Company and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of JJBCO or the integrity of its management.



## Item 10: Other Financial Industry Activities and Affiliations

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Anthony LaGiglia is a registered representative of Cetera Advisor Networks LLC, a registered broker/dealer with FINRA and SIPC. Mr. LaGiglia sells insurance products and accepts compensation for the sale of insurance, securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. 1. This practice presents a conflict of interest and gives Mr. LaGiglia an incentive to recommend investment products based on the compensation received, rather than on a client's needs. JJBCO will recommend no-load mutual funds in certain circumstances 2. Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us. 3. JJBCO charges advisory fees and Mr. LaGiglia may receive commission income as a result of product sales. Advisory fees generally are not off-set by commission income.

J.J. Burns and Anthony LaGiglia are owners and insurance agents of the insurance agencies 232 JJB, LLC and 232 Westbury, LLC. They may engage in insurance product sales with our clients, for which they will receive additional compensation. Any commissions received through insurance sales do not offset advisory fees the client may pay for advisory services under JJBCO. Clients are not obligated to obtain insurance through either individual or agency.

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

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JJBCO has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. The code sets forth standards of conduct and requires compliance with federal securities laws. Our code also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to the Chief Compliance Officer of JJBCO. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

In the unlikely event that the interests of JJBCO's account would happen to correspond with an advisory client's interests, full disclosure would be made to such client at once.

It is further noted that JJBCO is in and shall continue to be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, JJBCO has adopted a firm wide policy statement outlining insider trading compliance by JJBCO and its associated persons and other employees. This statement has been distributed to all associated persons and other employees of JJBCO and has been signed and dated by each such person. A copy of such firm wide policy is left with such person and the original is maintained in a master file. Further, JJBCO has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement JJBCO wide policy. These materials

are also distributed to all associated persons and other employees of JJBCO, are signed, dated and filed with the insider trading compliance materials. There are provisions adopted for:

- 1) restricting access to files
- 2) restricting and/or monitoring trading on those securities of which JJBCO's employees may have non-public information
- 3) requiring all of JJBCO's employees to conduct their trading through a specified broker or reporting all transactions promptly to JJBCO
- 4) monitoring the securities trading of JJBCO and its employees and associated persons.

JJBCO or individuals associated with JJBCO may buy or sell securities identical to those recommended to customers for their personal account.

It is the express policy of JJBCO that no person employed by JJBCO may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

JJBCO or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. As these situations may represent a conflict of interest, JJBCO has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or employee of JJBCO shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of JJBCO shall prefer his or her own interest to that of the advisory client.
- 2) JJBCO maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
- 3) JJBCO requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.

Any individual not in observance of the above may be subject to termination.

## Item 12: Brokerage Practices

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JJBCO participates in Charles Schwab & Co.'s Schwab Advisor Services (SAS) program. While there is no direct linkage between the investment advice given and participation in the SAS program, economic benefits are received which would not be received if JJBCO did not give investment advice to clients. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving SI participants exclusively;; ability to have investment advisory fees deducted directly from client account; access, for a fee, to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. Schwab Advisor Services does pay for, in part, certain administrative systems used for the operations of J. J. Burns. Schwab Advisor Services also pays expenses incurred by Mr. Burns and his staff to attend conferences. This support is not dependent on commissions or fees associated with advisory clients.

The benefits received through participation in the SAS program do not depend upon the amount of transactions directed to Charles Schwab & Co., Inc.

JJBCO may recommend or require that clients establish brokerage accounts with the Schwab Advisor Services Division of Charles Schwab and Company, Inc. ("Schwab") a registered broker dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. JJBCO is independently owned and operated and not affiliated with Schwab. Schwab provides JJBCO with access to its institutional trading and custodial services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them, so long as a total of at least \$10,000,000 of the advisor's client's assets are maintained in an account at Schwab Advisor Services and are not otherwise contingent upon advisor committing to Schwab any specific amount of business (assets in custody or trading). Schwab services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For JJBCO's clients' accounts maintained in its custody, 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 that settle into Schwab accounts.

Schwab also makes available to JJBCO other products and services that benefit JJBCO but may not benefit its clients' accounts. Some of these other products and services assist JJBCO in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements, facilitate trade executions and allocation of aggregated trade orders for multiple client accounts, provide research, pricing information, and other market data, facilitate payment of JJBCO's fees from its clients' accounts, and assist with back office functions, record keeping, and client reporting.) Many of these services generally may be used to service all or a substantial number of JJBCO's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to JJBCO other services intended to help JJBCO manage and help to further develop its business enterprise. These services may include consulting, publications, and conferences on practice management, information technology, business successions, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to JJBCO by independent third parties. Schwab Advisor Services may discount or waive fees that would otherwise charge for some of these services or pay all or a part of the fees to a third party providing these services to JJBCO. While as a fiduciary, JJBCO endeavors to act in its client's best interest, JJBCO's recommendation or requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to JJBCO of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. On a periodic basis, JJBCO conducts a due diligence review on Schwab to determine if it remains a good fit for its clients. As part of this review, JJBCO will review a sampling of trade executions and compare it against publicly available trade data.

## Aggregating (Block) Trading for Multiple Client Accounts

Investment advisers may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. We do not engage in block trading for equity securities. Considering the types of investments, we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

For some fixed income trades, we combine multiple orders for orders of the same securities purchased for advisory accounts we manage. We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## Item 13: Review of Accounts

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Client accounts with the Investment Management Service will be reviewed regularly on at least a quarterly basis by J.J. Burns, Owner and CCO, and Anthony LaGiglia, Managing Director. The account is reviewed with regards to the client's investment policies and risk tolerance levels. Events that may trigger a special review would be unusual performance, addition or deletions of client-imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

JJBCO will provide written reports to Investment Management clients on a quarterly basis which contain performance, current asset allocation, and current portfolio positions. We urge clients to compare these reports against the account statements they receive from their custodian.

## Item 14: Client Referrals and Other Compensation

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Pursuant to SEC Regulation Section 275.206.40-3, and applicable state laws, we have entered into "solicitor arrangements" with other entities. At the time of solicitation, the prospective client is given full disclosure of the solicitation arrangement and the nature of the relationship between us and the other entity.

JJBCO receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through JJBCO's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with JJBCO. Schwab does not supervise Advisor and has no responsibility for JJBCO's management of clients' portfolios or Advisor's other advice or services. JJBCO pays Schwab fees to receive client referrals through the Service. JJBCO's participation in the Service may raise potential conflicts of interest described below.

JJBCO pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by JJBCO is a percentage of the fees the client owes to JJBCO or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. JJBCO pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to JJBCO quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by JJBCO and not by the client. JJBCO has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs JJBCO charges clients with similar portfolios who were not referred through the Service.

JJBCO generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, JJBCO will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of JJBCO's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, JJBCO will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit JJBCO's fees directly from the accounts.

For accounts of JJBCO's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from JJBCO's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, JJBCO may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. JJBCO nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for JJBCO's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Standing Letters of Authorization:** JJBCO does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- b. The client authorizes JJBCO, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client has the ability to terminate or change the instruction to the client's qualified custodian.
- e. JJBCO has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- f. JJBCO maintains records showing that the third party is not a related party of JJBCO or located at the same address as JJBCO.
- g. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## Item 16: Investment Discretion

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JJBCO will have the authority without first obtaining specific client consent to buy and sell securities, to determine the amount of securities to be bought or sold, to determine the broker or dealer to be used and to determine the commission rates paid. Schwab Advisor Services is the broker/dealer used by JJBCO. Custom and standards within the securities industry will be considered by JJBCO in order to determine the reasonableness of Schwab's commissions and the decision to select Schwab.

## Item 17: Voting Client Securities

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We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder

communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not have custody of client funds or securities or require or solicit prepayment of more than \$1,200 in fees per client six months in advance.