

L.J. Brey, Inc.

321 Halaki Street
Honolulu, HI 96821
(808) 526-2644

info@ljbreyinc.com

www.ljbreyinc.com

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This brochure provides information about the qualifications and business practices of L.J. Brey, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

L.J. Brey, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor.

Additional information about L.J. Brey, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

L.J. Brey, Inc.

The initial Part 2 was dated February 20, 2011, and filed as part of our annual updating amendment.

Our annual updating amendment dated February 3, 2012, contained the following material changes:

Item 4: As of December 30, 2011, we manage assets of \$39.8 million on a discretionary basis. We do not manage assets on a non-discretionary basis.

Item 12: The Soft Dollars section was added to provide disclosure that reflects that we do not receive soft dollars in the way soft dollars have historically been described. Due to a recent rewording by the SEC of the question related to receipt of additional products and services from our Custodian, those services could be labeled as soft dollars although they do not meet the definition. The products and services we receive are described in the section entitled “Products and Services Available to Us From Schwab,” would fall under this description of soft dollars.

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ITEM 4: ADVISORY BUSINESS

Who we are

L.J. Brey, Inc. (referred to as “we,” “our,” “us,” or “L.J. Brey”), has been registered as an investment advisor since November 1996. Our principal officer and sole shareholder is Lesley Brey.

Services we offer

We provide both initial and ongoing financial planning and investment management services on a *fee-only* basis. In the event the client determines to engage L.J. Brey on a *fee-only* basis, we shall charge a quarterly *fee* for financial planning and investment management services.

When preparing financial plans, we may review the following topics, as agreed with the client:

- Client Values, Goals, Resources and Constraints;
- Cash Flow and Budgeting as needed;
- Personal Balance Sheet;
- Emergency Planning/Insurance Options;
- Debt;
- Employer Benefits;
- Retirement/Financial Freedom Goals;
- Legacy/Estate Planning Goals;
- Tax Issues/Options;
- Investment Policy Support Plan

Investment Advisory services are focused on supporting the overall client plan. Implementation is primarily through research supported, institutional-class, disciplined, no load mutual funds. Example: Dimensional Fund Advisors family of funds.

Clients have their own values and goals in life. The recommended Investment Policy is tailored to support the client-specific goals, risk and volatility tolerances, cash flow needs and time frame, among other considerations. The Investment Policy is developed based on client input and is approved by the client prior to implementation. Client may impose restrictions on investments in certain securities or types of securities.

Assets under management

As of December 30, 2011, we manage assets of \$39.8 million on a discretionary basis. We do not manage assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Investment Management and Financial Planning

Advisory Fees & Billing Practices

We charge an asset-based fee for financial planning and investment management services. This fee, which varies between 0.50% and 1.00% per year, is based on the market value of the assets under management. Our annual fee shall be pro-rated and paid quarterly, in arrears, based upon the market value of the assets on the last day of the calendar quarter.

We generally require an initial account minimum of \$1,000,000 to commence an engagement. L.J. Brey, in its sole discretion, may charge a lesser management fee and/or accept a lesser account initial minimum, based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

You may provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- Your authorization to allow us to deduct fees is contained in Section 2b of our contract.
- You will receive a detailed invoice each quarter which outlines our fees and how they are calculated at the same time we request payment from the custodian.
- You will receive a statement from your custodian which shows your holdings.
- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

You may elect to pay by check rather than having payment deducted directly from your account.

You may terminate our advisory relationship by providing written notice. We will prorate the advisory fees earned through the termination date and send you an invoice for the advisory fees due.

Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees may include:

- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for mutual fund, stock or bond trades as applicable. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

Hourly Consultations

Hourly consultations are only available on an 'exception' basis - generally used for related clients just starting out or with minimal needs to get organized. Virtually all clients are retainer clients.

In cases of an hourly arrangement the fees are \$250/hour with a two hour minimum. L.J. Brey, in its sole discretion, may charge a lesser fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

You will receive an invoice upon completion of the consultation that is payable upon receipt. You may pay for consultation services by direct account deduction, check or cash.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not receive performance fees for managing accounts.

ITEM 7: TYPES OF CLIENTS

Our clients are individuals, couples and families with an interest in tying their resources and investments to their overall family, lifestyle, retirement and legacy goals.

Generally we require that you maintain \$1,000,000 under management with us. However, we may waive that minimum at our sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment choices and portfolio allocations are based on academic research demonstrating the value of long-term focus for equity investments, broad diversification, low cost, and specific allocation choices that historically have been rewarded by capital markets over time.

Diversification, long-term holding periods for equity investments, rebalancing and understanding chosen investments are considered best fiduciary practices for portfolio stewards. There are no 'unusual' risks or frequent trading with this approach. In order for investors to extract market rates of return, they must be willing to bear compensated market risks. To the degree specific asset class investments are exposed to such market risks, volatility consistent with market movements should be expected.

The primary securities used are academically engineered, disciplined, broadly diversified mutual funds offered by Dimensional Fund Advisors designed to provide targeted asset class exposure. Beyond market risks there are no significant or unusual risks associated with these investments.

All investments involve different degrees of risk and volatility. You should be aware of your risk and volatility tolerance levels and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As a registered investment advisor, we are required to disclose when L.J. Brey or our principal has any other financial industry affiliations. There are no affiliations of this type to disclose.

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

Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by L.J. Brey and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

Personal Trading for Associated Persons

We may buy or sell some of same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed after client trades have been completed. When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

All persons associated with us are required to report all personal securities transactions to us quarterly.

ITEM 12: BROKERAGE PRACTICES

The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see “Item 15: Custody”). Your assets must be maintained in an account at a “qualified custodian,” generally a broker/dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker/dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we will assist in completing the appropriate paperwork as requested.

How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide L.J. Brey and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

Services That Benefit You.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have \$40 million in client assets under management, and we do not believe that requesting our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Soft Dollars

"Soft dollars" are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as "soft dollars." The additional services we receive from Schwab, as disclosed in the section entitled "Products and Services Available to Us From Schwab" above, would fall under this description of soft dollars.

ITEM 13: REVIEW OF ACCOUNTS

For investment management clients, a monthly review of current status relative to Investment Policy and cash flow needs is done. These clients receive a quarterly report disclosing overall investment performance since inception and allocation relative to their Investment Policy.

Financial plans are reviewed at least annually and updated to reflect current circumstances.

All reviews are performed by Lesley J. Brey, CFP, CFA, AIF, President.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see “Item 12: Brokerage Practices”). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We do not directly or indirectly compensate anyone for client referrals.

ITEM 15: CUSTODY

If you give us authority to deduct our fees directly from your separately managed account, we have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” You will also receive quarterly statements directly from custodian of the account that details all transactions in the account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab’s account statements to the periodic portfolio reports you will receive from us.

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing your account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may not place limitations on our discretionary authority.

ITEM 17: VOTING CLIENT SECURITIES

We do not accept the authority to vote proxies on your behalf and we do not provide guidance about how to vote proxies. You will receive proxies and other related paperwork directly from your custodian.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.