



# **JSF FINANCIAL**

**Part 2A Appendix 1 of Form ADV:  
*JSF Wrap Fee Program Brochure***

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12/27/2018

**This wrap fee program brochure provides information about the qualifications and business practices of JSF Financial LLC, a registered investment adviser. If you have any questions about the contents of this brochure, please contact us at (323) 866-0833. 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 does not imply a certain level of skill or training.**

**Additional information about JSF Financial LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for JSF Financial LLC is 114025.**

## ITEM 2. MATERIAL CHANGES

This Firm Brochure, dated December 27, 2018, provides you with a summary of JSF Financial LLC's Wrap Fee advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Since the last update of our brochure on March 29, 2018, the following are the material changes to this brochure:

- Item 4, Services: We have added information about products which JSF recommends to qualified clients and about our wrap program
- Item 4, Fees: We have added additional information how our advisory accounts are billed. We have added additional information regarding mutual fund and ETF fees and expenses.
- Item 6, Methods of Analysis, Investment Strategies and Risk of Loss: We have added additional information regarding alternative investment analysis and various types of loss.
- Item 9, Other Benefits from Our Custodians: We have added additional information regarding our relationship with our custodians.

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## **ITEM 4. SERVICES, FEES AND COMPENSATION**

### **Investment Advisory Services**

JSF Financial LLC (“JSF”) is the sponsor and investment advisor of the JSF Wrap Program (“Wrap Program”). The Wrap Program is a “wrap fee” program which provides the client with advisory and brokerage execution services plus account reporting and custodial services, for one all-inclusive fee. JSF serves as the Wrap Program’s sponsor as well as the Wrap Program’s investment advisor. JSF collects the necessary financial and personal data, including investment goals, from the client, to assist the client in determining the suitability of the account. JSF is no longer accepting new clients into our wrap program.

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's recommended portfolio. JSF provides continuous and regular investment advice, supervisory and management services with respect to the account, based on the client’s goals and objectives.

During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, liquidity needs, and unique circumstances. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

At least annually, JSF shall communicate with client to determine if there have been any changes to the client’s financial circumstances. A client must notify JSF promptly of any material change in the information provided or any other material change in client’s financial circumstances or investment objectives that might affect the manner in which the account should be invested.

Clients hire JSF on a discretionary basis. We provide clients who hire JSF for discretionary investment management to allow JSF to have limited discretion to make buy and sell decisions on their behalf based on specific objectives or strategies established between JSF and the client. Discretionary authority is generally granted by the investment advisory agreement that the client signs with JSF.

JSF agrees to use that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use. The account, wherever placed, remains the client’s property at all times. The client may make additional deposits into or withdraw funds from the account. By signing the Investment Management Agreement, client may allow JSF to withdraw the quarterly advisor fee directly from the client’s account.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities

- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Alternative Investments/Funds
- Interests in partnerships including but not limited to real estate, private equity, hedge funds and venture capital

Clients have the opportunity to place reasonable restrictions on the types of investments they wish to purchase.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, tax circumstances, liquidity and suitability.

Portfolio positions are selected based on key portfolio indicators of investment style, correlation, risk and reward that are developed based on the client's goals, objectives, strategies and restrictions, as stated in the investment management agreement, published manager information, market and economic environment research. When portfolios are reviewed, dynamic asset allocation is used to adjust the portfolios so that the various styles are closely aligned with current market conditions while maintaining compliance with the client's suitability.

From time to time, JSF will recommend alternative and/or private investments to clients, such as limited partnerships or limited liability companies, which invest in securities or other private investments ("Private Investment Funds"). Investing in Private Investment Funds involves various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints, lack of transparency, and risks associated with the underlying investments. A complete discussion of risks and other important information is set forth in each Private Investment Fund's offering documents, which will be provided to each client for review and consideration prior to investing. Unlike liquid investments, such as publicly traded securities, Private Investment Funds do not provide daily liquidity or pricing. Please refer to Item 6 below for further information on risks.

JSF will only recommend potential investment in a Private Investment Fund to clients that meet the appropriate qualification definition. In addition, prior to investment, clients wanting to invest in a Private Investment Fund will be required by the issuer of the Fund to complete a Subscription Agreement, pursuant to which the client shall confirm that he/she meets the required qualification status for investment in the Private Investment Fund and acknowledges and accepts the various risk factors that are associated with such an investment.

Should a client decide to invest in a Private Investment Fund, we can facilitate the implementation when requested, but we do not exercise investment discretion with respect to these types of investments and do not provide on-going management of the investment.

There are times when one or more employees invest in Private Investment Funds recommended to clients. This creates a potential conflict of interest. Please refer to Item 9 for further information, including how JSF addresses the conflict.

#### *Brokerage and Custodial Services*

JSF will not have physical custody of the assets in the Account. Custody of the Account will be maintained with the qualified custodian, National Financial Services (“NFS”). JSF will arrange for the custody of assets for client, and will generally absorb related custodial fees, unless otherwise directed or agreed upon by the client.

The Custodian will send to the client, at least quarterly, a statement showing all transactions during the period covered by the account statement, and the funds, securities and other property at the end of the period.

#### *Ancillary Services*

JSF provides educational seminars for our clients. These seminars include, but are not limited to, presentations on current events, economic trends and cycles, market activity, investment fundamentals, financial planning strategies, college or retirement planning or non-investment related topics. No fees are charged to attend these seminars.

### **Fees**

Our current annualized fee for Investment Supervisory Services generally begins at 1.10% of the value of assets under management.

Based on the size of the client’s account, the make-up of the client’s portfolio, overall service requirements as well as the complexity of the client’s financial situation, negotiable fee schedules may include the following arrangements:

1. A set asset based fee of a negotiated percentage
2. A pro-rated/tiered fee in respect of specific assets

3. <u>Assets Under Management</u>	<u>Annual Fee</u>
On assets up to \$3,000,000	1.10%
On assets in excess of \$3,000,000 but less than \$5,000,000	1.00%
On assets in excess of \$5,000,000	.90%

A minimum of \$500,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. JSF may group certain

related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

The initial fee is generally based on the initial deposit into the client's account, including cash and cash equivalents, and will be prorated to the end of the calendar quarter. Fees on deposits of cash or securities equal to or greater than \$50,000 made during the quarter will be prorated to the end of the calendar quarter. Thereafter, the fee will be payable quarterly in advance at the beginning of the quarter and is based on the market value of the account at the end of the quarter and includes cash and cash equivalents unless specifically excluded at the client's request. For accounts with margin, the fee will be calculated using the full market value of securities. The fee will equal the rate multiplied by the market value of the account at the end of the quarter, which is then divided by 365 days (or 366 in any leap year) and multiplied by the number of days in the quarter. We deduct the fees directly from a client's account, unless the client requests otherwise.

If an investment advisory agreement is terminated, the client will receive a pro rata refund representing the period of time from the date of termination until the end of the quarter. No refunds will be made due to a partial withdrawal of funds from the account by the client.

*Limited Negotiability of Advisory Fees:* Although JSF has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

#### *Other Fees*

In addition to the fees mentioned above, there may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; confirmation service fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law. Any such additional fees, commissions, expenses or charges shall be borne by Client.

The client should consider that, depending upon the level of the Program Fee charged, the amount of portfolio activity in the client's account, the value of services that are provided under the program, and other factors, the Program Fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

*Mutual Fund and ETF Fees:* JSF may include mutual funds, ETFs, and other managed products in clients' portfolios. All fees paid to JSF for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses,

and a possible distribution fee (“12b-1 fee”)<sup>1</sup>. It is possible a client will also pay an initial or deferred sales charge. Clients bear the expense of any contingent or deferred sales loads incurred upon selling the product. The expense ratio is the annual fee that all mutual fund and ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs and all other asset base costs incurred by the fund. Some fund families offer different classes of the same fund and one share class can have a lower expense ratio than another share class. These expenses come from client assets invested in the mutual fund, which impacts the client’s account performance. Mutual fund expense ratios are in addition to JSF fees. Certain employees of JSF are also registered representatives of an unaffiliated registered broker-dealer (see Item 10 below for details), and as such usually receive 12b-1 fees from mutual funds that pay 12b-1 fees on a class of shares that is bought into a client’s account. This creates a conflict of interest, as it provides an incentive to purchase a class of shares that pays 12b-1 fees. To address this conflict, JSF will strive to purchase (when available) institutional or advisory class shares for clients, which do not pay 12b-1 fees. In addition, for any client that holds mutual funds that pay 12b-1 fees in their account, JSF will transfer the client’s holding into institutional or advisory class shares, when available. However, there have been times in the past, and can be in the future when JSF does not have access to institutional class shares. This mainly happens when the client’s custodian does not offer institutional or advisory class shares for some or all of the mutual funds bought for clients, or the 12b-1 fees are paid to the custodian or broker dealer and not JSF employees that are registered representatives. In those cases, JSF will purchase or transfer into (when applicable) the mutual fund class that has the lowest overall fee and expense ratio. In such cases, if it is a class that pays 12b-1 fees and the JSF advisor assigned to the client is also a registered representative, the JSF advisor will receive the 12b-1 fee.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client’s financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

If it is determined that a client portfolio shall contain corporate debt or other types of over the counter securities, the client may pay a mark-up or mark-down or a “spread” to the broker or dealer on the other side of the transaction that is built into the purchase price of the security.

In some cases, there may be fees charged which are a result of brokered trading activity by associated personnel of JSF that is outside of the constructs of the wrap program and are thus not included in the advisory fee. These trades are generally at the request of the client and the fees may vary in size depending on the nature of the

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<sup>1</sup> Refer to the SEC’s Investor Bulletin at <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-mutual-fund-classes>, which provides information on the different share classes of mutual funds.

client's requests.

Upon termination of accounts held at the Custodian, the Custodian delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and JSF has no further obligation to act or provide advice with respect to those assets.

## **General Disclosures**

The program fees plus applicable provider fees may be more or less than the cost of purchasing the same services separately or from a different source. The factors to be considered by clients in determining the reasonableness of the fees charged include but may not be limited to the following:

- Transaction costs and/or other miscellaneous fees and taxes and/or charges as well as commissions or markups and markdowns or "spreads" on the purchase and/or sale of securities.
- The cost of producing a quarterly performance report covering the managed assets, the portfolios and the cost of obtaining tax lot statements with accruals, and both realized and unrealized gains and losses.
- The value of the consulting service provided by JSF in designing and then monitoring the client's managed assets and helping the client periodically determine the mix of accounts for the managed assets as well as the suitability of the portfolio securities and any third-party advisors.
- The cost of investment advice provided by JSF through the Wrap Program.

The associated person of JSF recommending the Wrap Program to the client receives compensation as a result of the client's participation in their respective program. The amount of this compensation may be more than what the associated person of JSF would receive if the client participated in other JSF programs or paid separately for investment advice, brokerage, and other services. The associated person of JSF may therefore have a financial incentive to recommend the Wrap Program over other programs and services. A client is under no obligation to participate in the Wrap Program.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The minimum account size for JSF investment advisory services in the JSF Wrap Program is generally \$500,000, subject to discretion. This account size may be negotiable under certain circumstances. JSF may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

JSF offers this program to individuals, provided they meet the minimum investment requirements and the investment strategy and the Wrap Program meets their needs. The individuals who open Wrap Program accounts may have accounts titled as trusts, part of a pension or profit sharing plan for a business, IRAs or may have a corporate or

business account participate in the program.

## **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

The JSF Wrap Program does not utilize outside portfolio managers to manage program accounts. All program accounts are managed solely by supervised JSF personnel. Our investment mandate is to understand the needs, priorities and goals of each client and to develop customized investment guidelines and asset allocations.

For a detailed description of services provided under the Wrap Program, please refer to *Item 4- Service, Fees and Compensation*.

### **Performance-Based Fees and Side-By-Side Management**

JSF does not charge performance-based fees.

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

#### **1. Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equities, fixed income, alternatives and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client does not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, alternatives and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful

may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. These characteristics help shed light on the expected behavior of the security, and help the analyst determine potentially favorable trades. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Alternative Investment Analysis.** As outlined in Item 4 above, JSF from time to time provides access to or recommends Private Investment Funds to certain qualified clients. These recommendations are generally made to qualified clients that have indicated an interest in investing in alternative investments and have an overall investment objective for long-term appreciation. JSF will review the investment opportunity and relevant documentation and then determine whether any of our clients' risk tolerance and liquidity needs match up with the potential opportunity.

**Risks for all forms of analysis.** Our securities analysis methods rely 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.

## **2. Investment Strategies**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash and allows us to purchase stock without selling other holdings.

**Open Orders.** We place open orders to buy or sell securities that remain in effect until they are either canceled or executed. As market orders are filled instantaneously, open orders occur when we place price restrictions on their buy or sell transactions either for duration determined (Day, Good Till Canceled) or until executed.

**Option writing.** We use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time.

We use options in managing certain portfolios. Actions we might take using options are comprised of (but are not limited to):

- Selling a call option on a security we already own ("covered call") as a method to generate additional income and/or an effective way to sell the security
- Selling a put option, secured by cash, as a way to express a bullish opinion on a security without actually buying it
- Buying a call option as a way to express a bullish opinion on a security without actually buying it
- Buying a put option as a way to express a bearish opinion on a security.

In general, buying an option (put or call) limits the potential downside of the position to the price paid to buy that option. Similarly, selling an option (put or call) limits the potential upside of the position to the price received when selling that option.

In certain situations, we may also use option spreads, which are a combination of two or more options. Trading in certain options will require a client to open a margin account, which carries risks.

### **3. Risk Of Loss**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Investment recommendations and advice are not legal or accounting advice. Client should coordinate and discuss the impact of financial advice with their attorney and/or

accountant. Client should inform JSF promptly with respect to any changes to client's financial situation and/or investment goals and objectives. Failure to notify JSF of any such changes could result in investment recommendations which do not meet the needs of the client.

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

- **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. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **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. For example, Treasury Bills are highly liquid, while Private Investment Funds are not. Illiquid securities are private securities or assets for which there is no public market. As a result, these securities are often subject to sale restrictions due to securities laws or contractual obligations. In addition, these investments can take several years to mature. During the investment holding period, there may be no cash distributions to the client.

**Options Risk**. Options involve certain costs and risk such as liquidity, interest rate, market, credit, and the risk that a position could not be closed when most favorable. Selling covered call options can place a limit on upside gains, while selling put options can result in the purchase of a security at a price higher than the current market price.

**Margin Risk**. Some clients maintain margin accounts. Accordingly, we can use margin transactions to implement investment advice given to these clients. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of

using margin include "margin calls" (also called "fed calls" or "maintenance calls"). Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account. While the use of margin borrowing can increase returns, it can also magnify losses. JSF generally manages accounts on margin only at the client's request.

**Alternative Investment Risk.** Private Investment Funds represent speculative investments and involve a high degree of risk. An investor could lose all or a substantial portion of his/her investment. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in a Private Investment Fund. Any investment in Private Investment Funds should be discretionary capital set aside strictly for speculative purposes. An investment in a Private Investment Fund is not suitable or desirable for all clients. Only qualified eligible client may invest in Private Investment Funds. An investment in a Private Investment Fund is usually illiquid and there can be significant restrictions on transferring interests in a Private Investment Fund.

**-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.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As discussed in Item 6, Wrap Accounts are managed solely by JSF supervised persons. Thus, JSF does not provide client information regarding Wrap accounts to outside portfolio managers.

## **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

As discussed in Item 6, Wrap Accounts are managed solely by JSF supervised persons. Thus, JSF clients who participate in the Wrap Program will not have contact with outside portfolio managers in relation to their Wrap accounts.

## **ITEM 9. ADDITIONAL INFORMATION**

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

#### **Broker Dealer Licenses**

Associated persons of JSF are registered securities representatives of Mid Atlantic Capital Corporation, ("Mid Atlantic") a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). JSF associates may recommend securities or variable insurance products offered by Mid Atlantic. Commissions, 12b-1 fees or other sales-based compensation are normally received for such purchases. Thus, a conflict exists between the interest of clients and the individuals recommending the products. However, clients are under no obligation to purchase recommended products, or to purchase products either from any associated person or through Mid Atlantic. Registered representatives of Mid Atlantic are compensated on the normal commission schedule.

#### **Affiliated Investment Adviser**

Jeffrey Fishman, the Managing Member of our firm, is a principal in ALJ Capital Management LLC, an affiliated exempt reporting adviser. ALJ Capital Management is an investment adviser to several private funds ("ALJ Funds"). Associated persons of JSF, including Mr. Fishman, have recommended the advisory services of ALJ Capital Management or ALJ Funds to qualified clients. JSF does not receive any referral fees upon referral of a client by a JSF associated person to ALJ Capital Management and clients are not charged any additional advisory fees by JSF for recommending ALJ Capital Management services or ALJ Funds. However, Jeffrey Fishman, through his affiliation with ALJ Capital Management, will receive management fees should a client have chosen to invest in a private investment fund that is managed by ALJ Capital Management. Therefore, conflicts of interests exist in making such recommendations to JSF clients.

Clients receive a separate disclosure document that detailed all conflicts of interests between JSF and ALJ Capital Management at the time of the recommendation or

introduction. Clients who choose to engage ALJ Capital Management or participate in one of their private investment funds bear the separate fees associated with its services and private investment funds. All fees and conflicts of interests are fully disclosed in ALJ Capital Management's Disclosure Brochure and corresponding offering memorandum(s).

Please note that JSF no longer recommends the advisory services of ALJ Capital Management or the ALJ Funds to qualified clients as the Funds are in the process of winding down.

### **Unaffiliated Private Fund Sponsors**

Occasionally, JSF associates may introduce a JSF qualified client to one or more sponsors of private investment funds or venture capital funds. It is possible that a private investment fund recommended to the JSF client could be invested in a private fund sponsored by ALJ Capital Partners, LLC (see disclosure below) and/or managed by ALJ Capital Management. If such conflict exists, the JSF associated person will disclose this fact at the time of the introduction.

JSF does not directly receive any compensation for such introductions by any private investment fund, although Jeffrey Fishman, through his affiliation with ALJ Capital Management, will receive management and performance fees should that private investment fund be invested in a fund managed by ALJ Capital Management.

### **Affiliated Private Fund Sponsors**

Jeffrey Fishman is member of ALJ Capital Partners, LLC, which serves as the general partner of the ALJ Funds, described above. JSF associated persons periodically referred to its qualified clients an opportunity to invest in private investment partnerships or investment limited liability companies including the Funds for which ALJ Capital Partners is a general partner. Each offeree received a copy of the offering documents, which discloses the relationship between JSF and the investment partnership or company. JSF does not receive any referral fees upon referral of the client by JSF, although Jeffrey Fishman, through his affiliation with ALJ Capital Partners, receives performance fees because of clients invested in a fund of which ALJ Capital Partners is the general partner. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund. Please note that JSF no longer recommends the advisory services of ALJ Capital Management or the ALJ Funds to qualified clients as the Funds are in the process of winding down.

### **Insurance Licenses**

Jeffrey Fishman is the Founder and President of Fishman Capital Corporation, a company engaged in the business of selling fixed annuities, life, and disability insurance. Clients are under no obligation to act upon the recommendations of Mr. Fishman and, if they do so, they are under no obligation to implement any such recommendations through Fishman Capital. If a client decides to buy insurance through Fishman Capital, the client will pay the normal fees and expenses associated with the insurance products. Mr. Fishman will receive compensation in connection with those transactions. Fishman Capital does not assess an investment advisory fee for advice

regarding insurance, but does have a conflict of interest when providing insurance-related advice, since Mr. Fishman has a financial incentive to recommend insurance products over other forms of investment vehicles.

Certain associated persons of JSF are licensed as independent insurance agents. Clients can choose to engage these persons, in their individual capacities to effect insurance transactions on a commission basis. The recommendations made by a JSF representative that a client purchase an insurance product presents a conflict of interest as the receipt of commissions may provide an incentive to recommend various insurance products based on the commissions. No JSF client is under any obligation to purchase any commission products from any JSF representative. Clients may purchase insurance products through any other licensed insurance agent.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Clients should be aware that the receipt of additional compensation by JSF and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. JSF endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

JSF and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

JSF's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client, including Private Investment Funds. While this creates a conflict of interest, our Code contains certain requirements designed to address the conflicts that arise with regard to employee personal trading.

It is the expressed policy of our firm that our employees with trading access may not purchase or sell a security, option on a security, or certain designated Exchange Traded Funds ("ETFs") that JSF Financial trades for its clients on the same trading day that the security/option has been sold or purchased in client accounts. Employees with trading access must obtain prior approval for any purchases and sales of closed end funds, individual stocks, options on individual stocks and designated Exchange Traded Funds ("ETFs").

As disclosed in the preceding section of this Brochure related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request by calling us at 323-866-0833.

## **Review of Accounts**

While the underlying securities within the Wrap Program accounts are continually

monitored, Client account reviews are conducted at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, market conditions, political or economic environment. Clients are encouraged to notify JSF Financial of any changes in personal circumstances. Reviewers consist of investment advisors and supervised persons.

*Reports:* In addition to the monthly or quarterly statements and confirmations of transactions that Wrap Program clients receive from the broker-dealer, JSF will generally provide reports at least annually summarizing account performance, balances and holdings.

### **Client Referrals and Other Compensation**

It is JSF's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

Periodically, representatives from mutual fund companies which represent funds with whom we place trades for our clients will sponsor client educational seminars and /or meals for our firm personnel. In addition, these individuals, as a result of holding securities licenses as registered representatives of a broker-dealer (previously disclosed above) may participate in broker-dealer sponsored events.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving these incentives creates a conflict of interest and may affect the judgment of these individuals when making recommendations. We address this conflict by reviewing recommendations made to our clients to determine that all recommendations are consistent with the best interests of our clients and make all appropriate disclosures about these conflicts of interest to our clients.

### **Other Benefits from our Custodian**

Mid Atlantic and NFS make available to us other products and services that may benefit JSF but may not directly benefit our clients' accounts. These types of services will help us in managing and administering client accounts, thereby serving the best. These products and services include, but are not limited to: (i) computer software with related system support and other technology that provide access to client account data (i.e. trade confirmations and account statements); (ii) facilitation of trade executions; (iii) providing research, pricing information, and other market data; (iv) facilitate in the payment of our fees from clients' accounts; and (v) assist with back office functions, record keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts. Mid Atlantic and NFS provide other benefits from time to time, such as client appreciation and educational events, conferences on practice management, regulatory compliance, information technology, and business success. Mid Atlantic and NFS will usually discount or waive fees it would otherwise charge for these services, or in some cases pay all or a part of the fees of a third party providing these services to JSF.

As part of our fiduciary duty to clients, JSF endeavors at all times to put the interests of our clients first and we place trades for our clients' accounts subject to our duty to seek

best execution. Clients should be aware, however, that the receipt of economic benefits by JSF or our related persons in and of itself creates a conflict of interest as it provides an incentive, which can indirectly influence JSF's recommendation of Mid Atlantic and for custody and brokerage services.

We examined this conflict of interest and believe that these relationships are in the best interests of JSF's clients. and satisfies our duty to seek best execution. Notably, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while JSF will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. JSF is not affiliated with either Mid Atlantic or NFS.

### **Financial Information**

JSF has no additional financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

JSF has not been the subject of a bankruptcy petition at any time during the past ten years.