

**Form ADV Part 2A: *Firm Brochure***

**Item 1 - Cover Page**

JFR Financial Services, Inc.  
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Date of Brochure: March 2017

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This brochure provides information about the qualifications and business practices of JFR Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at (734)692-1421. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about JFR Financial Services, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for JFR Financial Services, Inc.'s name or by using its CRD number: 124456

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last annual update was filed in March 2016 we have made no material changes to this brochure.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Clients and prospective clients can always receive the most current Disclosure Brochure for JFR Financial Services, Inc. at any time by contacting Diane Irvine at (734) 692-1421.

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## **Item 4 – Advisory Business**

### **Ownership**

JFR Financial Services, Inc. (“Advisor” or “we”) has been registered as an investment advisor since June of 2003. Advisor is a corporation formed under the laws of the State of Michigan and John F. Robbins is the sole owner.

### **General Description of Primary Advisory Services**

Advisor offers financial planning services and investment management services. The following are brief descriptions of Advisor’s primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

#### ***Financial Planning Services***

Financial planning can be described as helping individuals determine and set their long-term financial goals. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We provide financial planning services in the form of comprehensive and modular financial plans. These services do not involve actively managing client accounts. Instead, comprehensive planning services focus on a client’s overall financial situation. Modular planning services focus on specific areas of client concern and may not take other important issues into consideration.

We also provide consulting services to clients wanting advice on a specific area or concern, issue newsletters to clients on a complementary basis and conduct seminars and educational workshops.

#### ***Investment Management Services***

Advisor provides investment management services providing clients with on-going asset management of their accounts. This means that Advisor will continuously monitor a client’s account and make trades in that account when necessary.

#### ***Specialization***

We specialize in financial planning. As such, we begin with a comprehensive look at your current financial profile/situation including debt, savings, income, taxes and goals. We work with you to create a financial plan designed to help you work towards achieving financial goals.

Some clients pay for the plan on an hourly basis. Once they receive their plan, our service agreement ends. These clients enter a JFR Financial Planning or Consultation agreement at the onset of the business arrangement.

Some clients use these plans as roadmaps and hire us to occasionally review their progress as they proceed with the plan on a self managed basis. These clients enter a JFR Financial Planning or Consultation agreement at the onset of the business arrangement.

Other clients hire us to manage their portfolio(s) in a fee based arrangement. These clients have brokerage accounts that are managed by their financial planner. Additionally, they enter into a service agreement with us by signing an Asset Management Agreement.

We also prepare income tax returns. Separate “Engagement Agreements” are signed to cover the scope of work contracted with a client’s tax return.

### ***Limits Advice to Certain Types of Investments.***

We limit our investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Certificates of deposit
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Our investment advice relative to partnership interests in real estate and oil and gas is limited to reviewing the offering for appropriateness of investing in it.

We reserve the right to offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

### **Tailor Advisor Services to Individual Needs of Clients**

Our services are always provided based on your specific needs. You can impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Wrap-Fee Program versus Portfolio Management Program**

In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services and transaction services are provided for one fee. We do not act as a portfolio manager of or sponsor wrap fee programs.

### **Client Assets Managed by Advisor**

The amount of clients assets managed by Advisor totaled \$142,468,775 as of December 31, 2016, all managed on a discretionary basis.

## Item 5 – Fees and Compensation

In addition to the information provide in **Item 4, Advisory Business**, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

### Financial Plans

We offer financial plans that can be comprehensive or modular and either oral or written. Topics covered in a financial plan can include:

- Income
- Investments
- Goal-setting
- Financial statements
- Budgeting
- Retirement planning
- College funding
- Tax planning
- Estate planning
- Securities
- Risk management issues
- Fringe benefit programs
- Business issues
- Real estate

Financial planning services generally begin with extensive data gathering. The information we request from you may include:

- Past financial history
- Present financial condition
- Economic/financial goals and investment objectives
- Wills and trust agreement
- Fringe benefit programs
- Tax returns
- Business agreements
- Insurance policies and programs (e.g., life, disability and medical)
- Past and current investments (including cost basis, present value, purpose and tax ramifications)
- Income and expenses
- Obligations
- Other advisor relationships (e.g., attorney, accountant, banker, etc.)
- Family background and makeup

We review and study the information and documents provided by you and, as needed or requested, may prepare a report reflecting where you are presently situated economically and addressing each of your stated objectives. The report may also suggest recommendations and/or additional steps to assist you in achieving your stated objectives.

We generally utilize long-term strategies so that continuous monitoring is not required. Although we recommend an annual review and/or update, it is your responsibility to re-evaluate, review and update your situation and mark the progress made toward your goals. We are available if you need to schedule additional services with us. In this case, a new client agreement is required and additional fees are charged.

Modular financial planning services (financial analysis, special study or corporate financial planning) are charged at an hourly rate ranging from \$95 to \$150 per hour, billed to the nearest 15 minute increment. Hourly fees are negotiable based on the actual services requested, the complexity of your situation and our staff members providing the service. Fees for comprehensive financial planning services are billed as 1% of your gross annual income with a minimum fee of \$250.

We also prepare specific profiles or plans which are charged at the following project rate:

- Basic Financial Profile. Clients with a net worth of less than \$75,000 and annual income under \$35,000. Project fee is \$300.

- Intermediate Financial Profile and Capital Needs Analysis. Clients with a net worth between \$75,000 and \$150,000 with annual income between \$35,000 and \$70,000. Project fee is \$500.
- Advanced Conceptual Financial Plan including Comprehensive Capital Needs and Estate Analysis. Clients with a net worth between \$150,000 and \$500,000 and annual income between \$70,000 and \$150,000. Project fee is \$750.

Fixed and project fees are negotiable based upon your individual circumstances and complexities. Some projects are as simple as an analysis of how much money is anticipated for your child(s) college tuition at the school of their choice, in the year they anticipate entering college. Other clients may request us to analyze their estate for the purposes of estate planning and attorney meetings. Fees for financial planning services will be disclosed to you prior to any services being provided and are also set out in the client agreement. At the time you sign the client agreement, we require a retainer of one-half of the quoted fee with the balance due upon presentation of the plan to you.

Financial planning services terminate upon presentation of the plan to you. However, either of us can terminate the services at any time by providing written notice to the other party. Termination is effective immediately. If services are terminated within five business days of signing the client agreement, or if you did not receive our Disclosure Brochure at least 48 hours prior to signing the client agreement, services are terminated with no penalty and there are no fees charged; you receive a refund of all prepaid fees. After five business days, you are responsible for our prorated fees to the date of termination. Fixed fees are calculated at the specified hourly rate multiplied by the hours spent on the services until the effective date of termination. We send you a billing invoice detailing the services provided and the prorated refund or charge due.

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any of our financial planning recommendations. You should be aware that our investment advisor representatives are also registered representatives with LPL Financial Corporation, a registered broker/dealer and member FINRA/SIPC. They may also be independently licensed insurance agents. If you elect to follow our recommendations and select our investment advisor representatives to implement the recommendations, they could receive both advisory fees and commissions in their separate capacities as registered representatives or insurance agents. This is a potential conflict of interest. Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

## **Consultations**

We also offer individualized consultations that can be general in nature or focus on particular areas of interest or concern to you. Consultations consist of advice and recommendations only. You are solely responsible for implementing any advice and recommendations you elect to follow.

We also offer consultation services and investment advice on assets you maintain at outside consultants and for which we do not provide investment management services. If you engage us for these services, we request that you provide us with copies of your account statements and reports so that we can provide advice and design an asset allocation program for you. You are responsible for implementing any transactions if you elect to follow our recommendations. These outside asset consultation services are provided on an ongoing basis that continues until terminated by either you or us.

Consultations can be charged as either an hourly fee or as a flat fee project. The initial consultation last approximately 20-30 minutes and is free of charge. At this time, you and we together determine whether services are needed and a billing plan for those services. The hourly rate ranges from \$95 to \$195 per hour and is billed to the nearest 15 minute increment. Hourly fees are negotiable based upon the requested services and the complexity of your situation. Flat fee are determined based on the estimated time needed to complete the requested service. We also consider which of our representatives are



providing all or a portion of the requested services. Financial analysis billing rates start at \$95 per hour while an experienced financial planner's time is billed at \$195 per hour.

Whether billed hourly or at a flat rate, fees for consultation services are disclosed to you prior to any services being provided and are also set out in the client agreement. For larger projects, we may request a retainer equal to one-half of the quoted fee to be paid at the time you sign the client agreement. In this case, the balance will be due at the time the consultations are completed. If no retainer is requested, the entire fee is due at the time the consultations are completed.

Consultation services terminate upon completion of the requested consultations unless you have contracted for services on outside, non-managed assets. All consultation services can be terminated by either of us by providing written notice to the other party. If services are terminated within five business days of signing the client agreement, or if you did not receive our Disclosure Brochure at least 48 hours prior to signing the client agreement, services are terminated with no penalty and there are no fees charged; you receive a refund of all prepaid fees. After five business days, you are responsible for our prorated fees to the date of termination. Flat fees are calculated at the specified rate multiplied by the number of hours worked until the effective date of termination. We send you a billing invoice detailing the services provided and the prorated refund or charge due.

### **Newsletters**

We offer a newsletter to our clients on a complementary basis. The newsletter content is general in nature and pertains mainly to financial planning issues.

### **Seminars and Educational Workshops**

We offer seminars and educational workshops that may contain presentations on financial planning, various investment and insurance strategies and college funding, estate and retirement planning or associated topics. We may charge a fee for these services. All fees and our cancellation policy will be noted in the course offering or seminar invitation. Attendees can enter into a separate engagement with us for individualized services but are not obligated to do so.

### **Investment Management Services**

We offer investment management services that include ongoing asset management. These services begin with an initial interview and data gathering in an effort to determine your individual needs, goals, time horizons and risk tolerance. We rely on the information you provide to us. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you.

Based on the information you provide to us, we prepare recommendations for investments. Our recommendations can include planning for long-range goals (i.e., retirement planning or college funding) or other segments of an investment plan that you may request. Our recommended investments may include short-term instruments, stocks, bonds, mutual funds or other investment vehicles.

While we review your accounts on a regular basis, we strongly encourage you to maintain contact with us. You can call our office at any time during normal business hours to discuss your account, financial situation or investment needs directly with our investment advisor representatives. You should contact us promptly if there has been any change in your current financial status information so that we can help determine if a change is needed to your investment objectives and strategies. We request meetings at least annually to review and update your financial and investment needs. You are also urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

We are granted trading authorization on your accounts and provide investment management services on either a discretionary or non-discretionary basis. If provided on a discretionary basis, we make all decisions to buy, sell or hold securities, cash or other investments in your managed account in our sole discretion without consulting with you before making any transactions. You must give us written authorization to exercise this discretionary authority. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority. If investment management services are provided on a non-discretionary basis, we will always contact you before implementing any transactions in your managed account.

All investment management accounts must be established at LPL Financial Corporation (LPL), a registered broker/dealer and member FINRA/SIPC. LPL will process and clear all brokerage transactions in your account and will also serve as the qualified custodian of the accounts. We will not act as custodian and will not have access to your funds and securities with the exception of having our advisory fees deducted from the account with your prior written authorization. You should be aware that we recommend LPL because our investment advisor representatives are also registered representatives with LPL. You can impose restrictions and limitations on your account, and you retain the sole authority to vote proxies on all account holdings. Proxy voting materials are sent directly to you.

Fees for investment management services are charged as a percentage of the assets under management. Fees are billed quarterly in advance and calculated as of the fair market value of the account at the end of the previous quarter. If an account is opened mid-quarter, a prorated fee is charged based on the number of days that services are provided. Fees are charged as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Management Fee</u></b>
Up to \$300,000	.90%
\$300,001 to \$900,000	.70%
\$900,001 to \$3,000,000	.50%
Over \$3,000,000	.30%

All fees are negotiable based upon the complexity of your situation, the holdings in your account and additional resources that may be required to manage your account. We will inform you of the fee charges before any services are provided.

Fees can be billed directly to you by sending a quarterly invoice or can be deducted from your account. You decide which billing method you want to use when you sign the agreement for services. If fees are deducted from your account: you must provide written authorization permitting fees to be paid directly from your account held by the independent custodian and that authorization is limited to withdrawing the contractually agreed upon investment management fees.

The account custodian must agree to send you a statement at least quarterly indicating all amounts disbursed from your account, including our advisory fees. You can terminate the written billing authorization or client agreement at any time.

LPL does not charge a separate fee for maintaining custody of managed client accounts, but it can charge commissions and/or transaction fees directly to you. We do not receive any portion of the custody fee, commissions or fees from either you or from the custodian. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges and IAR and qualified retirement plan fees. The management fees charged by us are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

Mutual funds can charge a 12(b)-1 fee, which is named after a section of the *Investment Company Act of 1940*. It is an annual marketing or distribution fee and considered an operational or administrative expense. The fee is included as a part of the fund's total expense ratio and is paid from fund assets. Therefore, the fee comes indirectly from a client's account. Every mutual fund prospectus includes a description of the funds fees and expenses. Our management fees are separate and distinct from the fees and expenses charged by the custodian, broker/dealer or any mutual fund.

Investment management services are provided on an ongoing basis. Either party can terminate the client agreement by providing written notice to the other party. Termination is effective immediately upon receipt of notice by the other party. If services are terminated within 5 business days of signing the client agreement, or if you did not receive a copy of our Disclosure Brochure at least 48 hours before entering into the client agreement, services are terminated without penalty (no fees or a full refund of any fees paid in advance). After 5 business days have passed, you will be charged a prorated fee based on the number of days that services were provided during the quarter until termination was effective. We send you a billing statement detailing the services provided and the prorated refund due to you.

### **Additional Compensation**

Our investment advisor representatives ("representatives") are also a registered representative of LPL Financial Corporation. In this separate capacity, they can receive a portion of any 12b-1 fees paid by mutual funds. Receiving 12b-1 fees represents an incentive for a registered representative to recommend funds with 12b-1 fees or with higher 12b-1 fees than funds with no fees or lower fees. This is a potential conflict of interest. Our only recommend mutual funds to you if those funds are suitable for you and appropriate to help fulfill your objectives.

In their capacity as registered representatives, our representatives can sell securities products to any client. In addition, they may also be independently licensed as insurance agents and sell insurance products to any client. Our representatives can earn commissions when selling securities and insurance products in these separate capacities. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

From time to time, Advisor may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Advisor and its representatives endeavor at all times to put the interest of the clients first as a part of their fiduciary duty. However, clients should be aware that the receipt of additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of the IARs when making advisory recommendations.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

## **Item 7 – Types of Clients**

We provide investment advice to the following types of clients:

- Individuals (including high net worth individuals) including trusts and estates

### **Minimum Investment Amounts Required**

There is a minimum fee of \$250 for comprehensive financial planning services.

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

### **Primary Method of Analysis**

We use fundamental analysis when considering investment strategies and recommendations for clients. Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

We primarily use fundamental analysis which has risks when using. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its “correct” value over the long run--perhaps several years.

Fundamental analysis usually involves less frequent trading practices which could have a positive or negative impact on your portfolio value, but likely has reduced brokerage and transaction costs.

Another risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

### **Investment Strategies**

We use long term purchases (investments held for at least a year) and short term purchases (investments sold within a year) as investment strategies when implementing investment advice. We measure your goals, risk tolerance and time horizon through an interview and analysis process in an effort to determine the advice and recommendations best suited to your profile. Our investment strategies are based on a number of concepts and these depend on you.

When analyzing securities and advice for you, we obtain information from financial newspapers and magazines, research materials prepared by others, corporate rating services and annual reports, prospectuses and filings made with the Securities and Exchange Commission. Our recommendations and investment purchases are based on publicly available reports and analysis. In the case of mutual funds, our recommendations are based on reports and analysis of performance and managers and on certain computerized and other models for asset allocation. We also use tax, estate and financial planning publications and services, Department of Labor statistics, statistics published by the Federal Reserve Board, the Internet and, at times, various specialized software.

We do not include casualty insurance (i.e., homeowners, auto, liability, etc.) in our review and analysis when developing investment strategies. However, this is an important area of coverage and we recommend that you have a casualty insurance review done by a qualified casualty firm of your choice.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, no current or prospective client should assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved.

Investing in securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.

- **Management Risk.** Client investments also vary with the success and failure of Advisor's investment strategies, research, analysis and determination of portfolio securities. If Advisor's strategies do not produce the expected returns, the value of a client's investments will decrease.

### **Primary Recommend One Type of Security**

We and our representatives do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

### **Item 10 – Other Financial Industry Activities and Affiliations**

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

### **Securities Sales**

Our representatives are also registered representatives of LPL Financial Corporation. In this separate capacity, they can sell securities to any client and can earn commissions as a result. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative. You are under no obligation to use the services of our representatives or LPL Financial Corporation and can select any broker/dealer you wish to implement securities transactions.

### **Insurance Sales**

Some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

## **Tax Preparation Services**

Craig R. Sawicki, one of our representatives, is the owner and President of Sawicki Services Corporation, providing tax preparation and accounting services. In addition, some of our representatives and other employees are trained and experienced tax preparers and we have also contracted with an Enrolled Agent for tax preparation services. Clients needing assistance with tax preparation services can use our representatives, employees or independent contractors for these services. If clients elect to do so, they are required to sign a separate engagement letter and are charged separate fees for these services.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. We and our representatives have a fiduciary duty to all clients. We have established a Code of Ethics which all of our representatives and associated persons must read. They must then execute an acknowledgment stating that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of us or our investment advisor representatives' own investment interests. All representatives conduct business in an honest, ethical and fair manner. They comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and potential conflicts of interest to clients prior to services being conducted.

All representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any of our representatives and it is provided promptly.

Some of our representatives are also Certified Financial Planners<sup>™</sup>. In addition to abiding by our Code of Ethics, they also abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner<sup>™</sup> Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP<sup>®</sup> designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP<sup>®</sup> designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

Both we and our representatives may buy or sell securities or have an interest or position in a security for our personal account which is also recommended to you. We are and will continue to be in compliance with applicable state rules and regulations as well as *The Insider Trading and Securities Fraud*

*Enforcement Act of 1988.* As these situations may represent a potential conflict of interest, it is our policy that no associated person will prefer his or her own interest to that of an advisory client. No one employed by us may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.

## **Item 12 – Brokerage Practices**

If you wish to implement our advice, you are free to select any broker/dealer or investment adviser you would like. If you elect to have our investment advisor representatives implement the advice in their capacity as registered representative, LPL Financial Corporation will be used. Our representatives are registered representatives of LPL and are required to use the services of LPL when acting in their capacity as registered representatives. LPL has a wide range of approved securities products for which it performs due diligence prior to selection, and LPL's registered representatives are required to adhere to these products when implementing securities transactions through LPL. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of LPL, LPL provides compliance support to them. In addition to compliance support, LPL also provides our representatives, and therefore provides us, with back-office operational, technological and other administrative support.

If you elect to implement our advice through our investment management services, we recommend LPL as the broker/dealer and/or custodian. LPL is the primary broker/dealer and custodian recommended due to the relationship our investment advisor representatives have with LPL. We recommend broker/dealers and custodians that we feel provide services in a manner and at a cost that allows us to meet our duty of best execution. However, we may be limited in the broker/dealer or custodian used due to our representatives' relationship with LPL. LPL may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

While there is no direct link between the investment advice given to you and our recommendation of LPL, economic benefits may be provided by LPL to us that are not be provided if you select another broker/dealer or account custodian. These benefits may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to our accounts, access to a real-time order matching system, ability to "block" clients' trades, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements, confirmations and year-end reports.

### **Block Trading**

Transactions implemented by us for your accounts are generally effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used when we believe such action may prove advantageous to you. When we aggregate orders, the allocation of securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Transaction costs are shared pro rata based on each client's participation in the transaction. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which our representatives may invest,



we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* We do not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Financial planning and consultation services terminate upon completion of the services and so no account reviews are conducted. We may include recommendations for reviews and updates, but you have the sole discretion whether or not to undertake such a review and update. If you do, a new client agreement is required and additional fees are charged.

Investment management accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews may also be conducted due to client request, a change in client circumstances, unusual market activity or other economic factors. Each representative performs the account reviews for their own accounts.

Reviews include a look at current asset positions, your original goal and possible re-allocations or rebalancing needed to stay on target for that goal. Additionally, as you reach landmarks within your plan (i.e. retirement, kids entering college); we review the plan to see whether additional rebalancing is needed for the next landmark.

### **Reports**

Financial planning clients do not receive any account reports other than those included as a part of the services originally contracted for.

Investment management clients receive statements at least quarterly from LPL Financial Corporation, their account custodian. In addition, they receive quarterly performance and rebalancing reports prepared by LPL for us.

## **Item 14 – Client Referrals and Other Compensation**

### **Client Referrals**

We do not directly or indirectly compensate anyone for referring clients to us.

### **Other Compensation**

For additional discussion on other compensation received by us, our owners or our investment advisor representatives, please refer to **Additional Compensation** under **Item 5, Fees and Compensation**, and **Item 10, Other Financial Industry Activities and Affiliations**.

### **Non-Client Economic Benefit**

Please see **Item 12, Brokerage Practices**, for discussion about the services and products we may receive from LPL Financial Corporation.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the

ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented.

Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

Investment management services can be provided on a discretionary basis or non-discretionary basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. However, it is our policy to consult with you prior to making significant changes in the account even when discretionary trading authority is granted.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are unable to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your accounts. You may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

We do not vote proxies on behalf of clients. We have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client

proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

### **Item 18 – Financial Information**

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to you. Finally, we have not been the subject of a bankruptcy petition at any time.

### **Class Action Lawsuits**

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. We do not initiate such a legal proceeding on your behalf and do not provide legal advice to you regarding potential causes of action against such a security issuer and whether you should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, our services do not include monitoring or informing you of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for you.

### **Customer Privacy Policy**

As a registered investment advisor, we are covered under the definition of a “financial institution” under the *Gramm-Leach-Bliley Act* and subject to the rules of privacy imposed under the Act as well as state rules promulgated under the Act. Privacy rules require every broker/dealer, investment company and investment adviser to adopt policies and procedures reasonably designed to safeguard consumers’ non-public personal information.

We understand that the sharing of non-public personal information is an act of trust. We value clients’ trust and confidence and carefully handle the non-public personal information we may possess. This information generally will include:

- Information provided from applications, forms and other information provided to us either verbally or in writing, and include but are not limited to your name, address, phone number, account information, Social Security number, employment, assets, income and debt;
- Information about your transactions, accounts, trading activity and parties to transactions, information relating to insurance, beneficiaries and limited medical data (as it pertains to insurance);
- Information from other outside sources;
- Any other information that is deemed to be nonpublic personal information as defined by the *Gramm-Leach-Bliley Act* and by state privacy rules.

All information provided by clients to us (including our investment advisor representatives and administrative personnel), and information and advice furnished by us to you, is treated as confidential and not disclosed to affiliated or unaffiliated third parties, except as permitted by you with written authorization, by application to facilitate the advisory services offered by us or as required by any rule, regulation or law of any regulatory or self-regulatory organization to which we or our investment advisor representatives may be subject. For example: you may ask us to provide information to your other services providers, such as your accountant, and we are pleased to be of assistance when you direct us

to share information. Regulatory and self-regulatory bodies generally conduct routine audits of registered investment advisers and registered representatives (respectively) to review books and records, and in the process may review client information. Additionally, LPL Financial Corporation and its compliance personnel may review client data for the same compliance purposes.

Within our advisory firm, access to client records is restricted to only personnel who need to access information to deliver investment advisory and administrative services.

Former clients receive the same privacy protection as current clients. Client records are retained for the time period required by regulators before they are securely destroyed via in-house shredding.

Consumers who provide information for review during initial consultations/meetings receive privacy protection as our clients. Information may be retained on file for a period of up to one year before the data is securely destroyed via in-house shredding, depending upon the likelihood of engagement.

Clients are welcome to discuss any questions or concerns they may have about our privacy policies and procedures by directly contacting John F. Robbins, CFP<sup>®</sup>, our President and Chief Compliance Officer.

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