

Part 2A of Form ADV: Brochure

**Item 1 - Cover Page**

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March 30, 2011

(Amended June 29, 2011)

***This brochure provides information about the qualifications and business practices of Stephen Jones Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 888-282-1182 or [info@jonesvillalta.com](mailto:info@jonesvillalta.com). The information in this brochure has not been approved by the Securities Exchange Commission or any State Securities Authority.***

Additional information about Stephen Jones Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stephen Jones Capital Management, Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

(March 20, 2011 Brochure amended as of June 29, 2011)

### **Item 4**

In order to clarify Item 4, the language "SJCM was founded in September 1997" is replaced by "SJCM was founded in 1997." SJCM is defined as Stephen Jones Capital Management, Inc.

In addition, the 2 sentences: "The total amount of assets that we manage on a discretionary basis is \$1,260,426.66 as of December 31, 2010. The total amount of assets that we manage on a non-discretionary basis is \$8,709,594.41 as of December 31, 2010." were updated as "The total amount of assets that we manage on a discretionary basis is \$683,140.74 as of May 31, 2011. The total amount of assets that we manage on a non-discretionary basis is \$10,338,346.29 as of May 31, 2011."

### **Item 12**

The sentence "We typically refer our clients to use Pershing because they are with the Lockwood platform." And replaced by "We only refer our clients to use Pershing because they are with the Lockwood platform."

The sentence "Our clients may direct Pershing to execute securities transactions through broker-dealers other than Pershing. In such cases, if the client negotiates applicable commission rates or fees with such brokers-dealers, the client may pay higher or lower transactions costs or fees than if the transactions were effected through Pershing as set forth in Lockwood's Form ADV, Part H." is deleted.

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## **Item 4 - Advisory Business**

### **Business Background**

Stephen Jones Capital Management, Inc. is an investment advisory firm that provides consulting services. It is referred to throughout this brochure as “we” or “our” or “SJCM.” SJCM was founded in 1997. Stephen M. Jones is our Chairman, and he is also the principal owner through the SMJ Loyal Trust. Thomas Villalta is our President, Chief Investment Officer and Chief Compliance Officer and is also an owner. SJCM serves as the manager to its affiliate Jones Villalta Asset Management, LLC. (“Jones Villalta”).

### **Types of Services**

We provide the following types of investment consulting services:

- **Asset Allocation.** We use all information supplied by the client to determine an appropriate allocation of the client’s assets. The appropriateness of a given allocation depends on the client’s age, needs, and tolerance for volatility. In the case of institutions, the institution’s needs and tolerance for risk are the primary determinants.
- **Risk Modeling.** We model the client’s expected asset growth and volatility using various quantitative means in order to both educate clients and to provide them with a basis for accepting various asset allocations. Risk modeling attempts to ensure that clients may be able to meet their needs with the assets that they have accumulated.
- **Selection of Money Managers & Mutual funds.** We use various quantitative and qualitative measures in an attempt to identify managers and specific mutual funds that may outperform peers and benchmarks over longer time horizons for our clients.
- **Performance Reporting and Ongoing Due Diligence.** We monitor the managers and mutual funds that we recommend on an ongoing basis using largely the same methods as in the identification of appropriate managers and mutual funds (see Selection of Money Manager and Mutual Funds above). We strive to provide clients with a rational and transparent performance report.

These services listed above are provided on a discretionary basis where clients give us the authority to make investment decisions on their behalf and on a non-discretionary basis where clients direct us to make specific investment decisions on their behalf.

Our advisory services are limited to those stated above.

### **Personally Tailored**

- We tailor our investment consulting services to the individual needs of our clients first by meeting them in person or by telephone and discussing with each client their risk tolerance, age, time horizon, income level and various other factors. Clients can impose certain restrictions on investments.
- For clients who invest the majority of their assets with us, we generally tailor an asset allocation for each client's risk tolerance and return needs based on information provided by the client. Often we may work with a client and present various iterations of an allocation in order to meet the client's individual needs and objectives. For clients who invest a minority of their assets with us, we confirm with them that their investment with us is only a fraction of their total assets (one slice of their pie).
- After our initial meeting, we annually send out a questionnaire asking each client to update their personal information and notify us of any changes to re-assess specific needs and objectives. We further ask each client to confirm that their present investment strategy is still right for them and invite them to contact us to discuss it again in detail. If the allocation no longer meets the client's goal, they can write us back or call us, and we will adjust their portfolios in accordance with their changes and needs.

### **Wrap Fee Programs**

We do not sponsor a Wrap Fee Program. However, we recommend other money managers and mutual funds to our clients through the wrap fee program and platforms sponsored by Lockwood Advisors, Inc. or Lockwood a division of Pershing (collectively referred to as "Lockwood") for a consulting fee. Through our clients' relationship with Lockwood, our clients will use the Lockwood affiliate Pershing, LLC and the Lockwood affiliate Pershing Advisors Solutions LLC for brokerage (collectively referred to as "Pershing"). Our consulting fees are independent from those fees charged by Lockwood, but the client is charged a bundled fee comprised of our fee, Lockwood's fee, Pershing's fee and the money manager's fee below in **Item 5.**

### **Assets Under Management**

The total amount of assets that we manage on a discretionary basis is \$683,140.74 as of May 31, 2011.

The total amount of assets that we manage on a non-discretionary basis is \$10,338,346.29 as of May 31, 2011.

### **Item 5 - Fees and Compensation**

#### **Fees**

Each of our asset management clients enter into contracts with Lockwood, Pershing and PAS under which Lockwood's fees, the clearing agent, the selected money management firms' fees, and our consulting fees are charged to the client as one fee. Lockwood's fees and services are disclosed in Part II of Lockwood's Form ADV, Schedule H, a copy of which is provided to clients when they enter into contracts with us and Lockwood.

Our annual consulting fees are based on a percentage of assets in the client's account. Our typical fees are as follows:

<b>VALUE OF ACCOUNT</b>	<b>ANNUAL FEES</b>
Up to \$5,000,000	1.00%*
Over \$5,000,000	Negotiable

We may also accept one-time projects at an hourly rate rather than an asset based annual rate. A client may engage us for a one-time consulting project under which we will consult with the client but will not provide monitoring, performance reporting, or other ongoing services. In these instances, we may charge fixed fees or hourly fees. Fixed fees will vary according to the type of engagement. Hourly rates range up to \$350 per hour.

\*Fees for our services may be negotiable under certain circumstances and therefore fees may vary from client to client.

### **Calculation of Fees**

- Fees are calculated on a quarterly basis.
- Fees are paid in advance with no option to pay fees after services are rendered.
- Fees are calculated using quarter-ending market values. Quarter-ending values are defined as the valuation of the account as of market close on the last business day of the month. Pershing/Lockwood serves as the pricing authority for all accounts.
- We do not have control over pricing of the securities or lack of pricing of securities held within portfolios, and are obligated by our relationship with Lockwood to allow Lockwood to assess account values, debit client accounts for fees, and forward us our fee portion unbundled from the total wrap fee.
- One quarter of the annual fee will payable in advance on or about the 5<sup>th</sup> day after the commencement of each quarter or in the case of the first quarter, on the effective date of this agreement as determined by Pershing/Lockwood.
- If a client enters into an agreement with us after the first day of the quarter, the fee for that quarter shall be calculated proportionately with the number of days left in that quarter in accordance with the policies and procedures of Lockwood and Pershing.
- If this account is terminated by written notification from the client to Pershing/Lockwood prior to the last day of a calendar quarter, a pro-rata portion, based upon the days remaining in such quarter, of the quarterly fee paid in advance will be refunded to the client.
- The client acknowledges that neither Lockwood nor the custodian verifies Lockwood's fee calculation and that it is the client's sole responsibility to review their statements to ensure the fees were calculated accurately.

### **Other Fees**

In addition to the consulting fees we charge, clients will be responsible for other fees and expenses that may apply to the management of their account and custody of their assets. Additional fees and expenses may be charged for services that may include the following:

- Operational fees (including all mutual fund fees and expenses)
- Transaction/ticket and brokerage fees (commissions)

- Lockwood's fees
- Pershing's clearing and custodial fees
- Accounts with funds invested in mutual funds including money market funds will bear a proportionate share of the fund's fees and expenses, along with the other shareholders of the fund
- Bank fees
- Sponsor fees
- Margin interest
- Wire transfer fees
- Other fees or costs associated with securities transactions

We and our supervised persons do not receive fees or compensation for the sales of securities or other investment products. We do not receive asset based sales charges or service fees in connection with the sales of mutual funds or other securities. We receive consultant fees based on the investment account values and occasionally from one time hourly rate consulting engagements. We do not receive commissions.

We primarily recommend unaffiliated third party mutual funds or third party managed accounts via the program sponsored by Lockwood. These funds typically are either no-load or are available to our clients at NAV (Net Asset Value) which is normally only available to institutional clients. We do not receive any compensation from Lockwood or from the actual mutual funds we recommend; we only receive our asset-based fee for our consulting services in which we help select certain money managers and mutual funds.

Our clients have the option to purchase investment products that we recommend through the wrap fee program sponsored by Lockwood via Pershing. We typically recommend Pershing. However, pursuant to Lockwood's Part II of the ADV, Schedule H, our clients have the right to direct Pershing to execute security transactions through broker dealers other than Pershing. In such cases, if the client negotiates applicable commission rates and fees, the client may pay higher or lower transaction costs or fees than if the transactions were effected through Pershing.

Our affiliate Jones Villalta is the adviser to the Jones Villalta Opportunity Fund<sup>i</sup> and separately managed accounts. Jones Villalta collects an advisory fee for its advisory services to this mutual fund and asset based charges for the management of its separately managed accounts. If one of our client invests in our affiliates products, we do not "double dip" which essentially means that we do not collect an advisory fee twice from a client.



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

We do not engage in performance-based fees or side-by-side management.

## **Item 7 - Types of Clients**

### **Our clients may include:**

- Individuals
- Trusts
- Estates
- Charitable foundations and endowments
- Pension and profit sharing plans
- Corporations
- Limited partnerships\*
- Other business entities

\*With regard to the assets that we manage for limited partnerships, we believe these partnerships to be used for estate planning purposes by families and consider the family as the ultimate client in these situations. We do not serve as a general partner for any of these partnerships, nor do we hold an interest in any of these partnerships.

### **To open an account, the client must:**

- Fill out an Investment Consulting Agreement with us for our services and receive a copy of Form ADV Part 2A, formerly Form ADV Part II.
- Fill out an Investment Advisory Profile and Agreement with Lockwood to gain access to the wrap fee platform (including sufficient information for Lockwood to verify the client's identity in accordance with policies and legal requirements) and receive a copy of Form ADV Part 2A, Appendix 1, formerly Form ADV Part II, Schedule H.
- Fill out the Pershing Advisor Solutions, LLC Brokerage Account Agreement for Corporate, Non-Corporate/Non-Profit, Trust, Partnership Estate, Pension and Profit Sharing Plans and/or the Pershing Advisor Solutions LLC Brokerage Account Agreement for Individual, Joint Custodian

or Guardian Accounts.

#### **Minimum Account Size**

There is no stated minimum account size for us. We determine this on a case by case basis. However, most separate account managers whom we recommend to our clients do have a minimum account size of \$100,000.00 according to Lockwood's Form ADV Part II Schedule H. Additionally most mutual funds that we recommend to our clients have minimum, initial and subsequent fund purchase requirements as set forth in each fund's prospectus.

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

**Investing in securities involves risk of loss including the entire principal which clients should be prepared to bear.**

#### **Methods of Analysis**

For all of our methods of analysis, the main sources of information that we use, include:

- Financial newspapers
- Financial magazines
- Financial software
- Annual reports
- Prospectuses
- Filings with the Securities Exchange Commission
- Corporate rating services
- Research material provided by third parties
- Company press releases

Our consulting services are described below:

#### **Asset Allocation**

We use information supplied by the client to determine an appropriate allocation of the client's assets. The appropriateness of a given allocation depends on the client's age, needs, and tolerance for volatility. In the case of institutions, the institution's needs and tolerance for risk are the primary determinants.

We utilize a variety of quantitative methods in our research. However, in determining appropriate allocations, we seek to maximize a client's potential returns at various levels of risk. Volatility is the potential for upward or downward movements in investment values. Often times it is represented by the statistical measure standard deviation. This is explained to clients, and clients are generally supplied with several alternative allocations from which to choose. We attempt to provide clients with appropriate allocations that clients will be comfortable in experiencing as the markets fluctuate.

### **Risk Modeling**

We model the client's expected asset growth and volatility using various quantitative means in order to both educate clients and provide them with a basis for accepting various asset allocations. Risk modeling attempts to ensure that clients can seek to meet their needs with the assets that they have accumulated and the possible expected returns that they have indirectly accepted through a selection of an appropriate allocation. By using possible expected returns and possible expected losses as well as recent history, clients will be able to determine if the risk that they are accepting, vis-à-vis the asset allocation, is appropriate for their needs and comfort.

### **Selection of Money Managers & Mutual funds**

We use various quantitative and qualitative measures in an attempt to identify managers and mutual funds that will outperform peers and benchmarks over longer time horizons. Quantitative tools include "Style Analysis" using a least-squares method developed by William Sharpe, and other proprietary tools that examine rolling absolute, risk-adjusted and down-market returns and other data. Quantitative analysis relies on the composite performance of money managers and mutual funds that report such information. Qualitative analysis focuses on those factors that are largely subjective. The manager's tenure, experience and background are paramount factors. In addition, the firm's legal and compliance record are examined, as well as the various non-quantifiable factors, which are obtained through questionnaires, interviews and other sources.

### **Performance Reporting and Ongoing Due Diligence**

We monitor the managers that we recommend on an ongoing basis using largely the same methods used in the identification of appropriate managers and mutual funds (see Money Manager and Mutual Fund Research above). In addition, through Lockwood, we provide clients with a rational and transparent performance report.

## **Risk of Loss**

The following risk disclosures apply to all of the investment strategies outlined above.

- **Investment Risk.** Investing in securities involves risk of loss including the entire principal which clients should be prepared to bear.
- **Diversification Risk.** Diversification of assets in your investment portfolio or mutual funds does not ensure a profit or guarantee against loss. It can be a way to seek to reduce risk or gain by investing in a variety of different types of assets based on the assumption that the value of securities do not all increase or necessarily decrease at the same time.
- **Asset Allocation.** Investing in a particular amount or percentage of multiple types of assets does not ensure a profit or guarantee against a loss. It can be a way to seek to reduce risk by investing in a variety of assets based on the assumption that the value of securities do not all increase or decrease at the same time. It is a mechanism that seeks to reduce loss, but can also reduce gains.
- **Investment Company Securities Risk.** When we recommend an investment in another investment company, such as an open-end mutual fund or an exchange-traded fund (“ETF”) or separately managed account, your investment will indirectly bear its proportionate share of any fees and expenses payable directly by the investment company or by the separately managed account. The investment may incur higher expenses which also may be duplicative. The investment may be affected by losses of the underlying funds and the level of risk arising from the investment practices of the underlying funds. We have no control over the investments and related risks taken by the underlying funds in which we invest.
- **Market Risk.** The prices of securities that are held in mutual funds or separate accounts selected by us may decline in response to certain events taking place around the world, including those conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest and commodity price fluctuations.
- **Value Risk.** At times, we may select mutual funds or separately managed accounts for you that invest in companies that appear to be growth-oriented. If the adviser’s perceptions of the company’s growth potential are wrong, the securities purchased may

not perform as expected, causing losses that will reduce investment returns. In addition, growth oriented securities will typically have more risk of downward price movements. If the market perceives such risk as being greater than we expected because of the company's performance or otherwise, your returns could be adversely affected.

- **Turnover Risk.** Strategies in the funds or separately managed accounts that we select for you involving frequent trading can affect investment performance, particularly through increased capital gains taxes, increased brokerage and other transaction costs. Turnover also occurs when there are significant increases or decreases to the asset levels of the mutual funds or separately managed accounts selected for your investment.
- **Management Risk.** Our skill in choosing appropriate mutual funds or advisers will play a large part in determining whether you are able to achieve your investment objectives. If our assessment of the mutual funds or advisers which we select for you is incorrect, it could result in significant loss.
- **Company Risk.** The value of your investment in a mutual fund or separately managed account may decrease in response to the activities and financial prospects of an individual company or individual company's securities held in that mutual fund or separately managed account in which you are invested. The value of an individual company's securities can be more volatile than the market as a whole.

In addition to the risks noted above, the following risks apply to the specific investment strategies:

- **Mid-Cap Investment Risk.** To the extent that we recommend the investment in mutual funds or separately managed accounts containing securities of mid-cap companies, mid-cap investing involves greater risk not associated with investing in more established companies, such as greater price volatility, business risk, less liquidity and increased competitive threat.
- **Small-Cap Investment Risk.** To the extent that we recommend the investment in mutual funds or separately managed accounts containing small cap securities, small-cap investing involves greater risk not associated with investing in more established companies, such as greater price volatility, business risk, less liquidity and increased

competitive threat.

- **Foreign Securities Risk.** To the extent that we recommend the investment in mutual funds or separately managed accounts containing foreign securities, the investment may experience more rapid and extreme changes in value than when investing in securities of U.S. companies. Foreign issuers are not subject to the same degree of regulation as U. S. issuers. Also, nationalization, expropriation or confiscatory taxation or political changes could adversely affect the value of your investment in a foreign company. ADRs (American Depositary Receipts) do not eliminate all of the risks associated with direct investment in securities of foreign issuers. The risks of foreign investing are of greater concern in the case of investments in companies located in emerging markets, which may exhibit greater price volatility and have less liquidity.
- **Credit Risk.** To the extent that we recommend the investment in mutual funds or separately managed accounts that invest in bonds, there is the possibility that the bond issuer will not be able to make expected interest rate payments and/or principal repayment or that negative perceptions of the issuer's ability to make such payments will cause the price of the bond to decline.
- **Interest Rate Risk.** To the extent that we recommend an investment in mutual funds or separately managed accounts that invest in bonds, there is the possibility if interest rates rise, the market value of the bond will decline.
- **Liquidity Risk.** To the extent that we recommend the investment in mutual funds or separately managed accounts that invest in bonds, there is the possibility of liquidity risk. This refers to the marketability or ability to sell the bond. Certain issues may be less marketable than others. In order to sell a less marketable bond, the face value of the bond may decline, or you may not find any purchasers and cannot sell it.
- **Inflationary Risk.** This refers to the risk that the inflation rate may be higher or may become higher than the interest rate on the bond. If the inflation rate is higher than the interest rate, the principal amount of the underlying bond may be worth less upon maturity.

### **Item 9 - Disciplinary Information**

Stephen Jones Capital Management and its management persons have NOT been and are currently not the subject of any legal (criminal or civil), regulatory, disciplinary, or self-regulatory organization proceeding as required to be disclosed.

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

- Jones Villalta is a related investment adviser due to its common ownership with us. This presents certain potential and actual conflicts of interest. Our clients are not clients of Jones Villalta, unless they also fill out a Jones Villalta Investment Adviser Agreement with Jones Villalta and receive a copy of the Jones Villalta Form ADV Part 2A, formerly Form ADV Part II. Conversely, Jones Villalta's clients are not our clients unless they fill out an SJCM Investment Adviser Agreement with us and are given a copy of SJCM's Form ADV Part 2A, formerly Form ADV Part II. SJCM and Jones Villalta are two separate affiliated Investment Advisers that provide investment advisory and consulting services. SJCM provides consulting services to clients to assist them in the selection of third-party mutual funds and investment advisers via Lockwood, and consulting for asset allocation, risk modeling, mutual fund and investment adviser selection. Jones Villalta provides its clients with separately managed accounts, consulting services on a discretionary and non-discretionary basis regarding asset allocation, risk modeling, mutual fund selection, and performance and ongoing due diligence. Jones Villalta also is the manager to the Jones Villalta Opportunity Fund. Jones Villalta clients may pay higher or lower fees for similar services provided by us. Similarly, SJCM clients may pay higher or lower fees for similar services provided by Jones Villalta. The Jones Villalta Opportunity Fund and its separately managed accounts are not available to our clients on the Lockwood platform. Accordingly, if our clients are interested in investing in this mutual fund or managed accounts, then we would not "double dip" or collect an advisory fee twice from these clients.
- SJCM shares office space, employees and owners with Jones Villalta. We also serve as the manager to Jones Villalta. This presents certain potential and actual conflicts of interest. We share the following employees with Jones Villalta:

Stephen Jones - Chairman

Tom Villalta - President, Chief Investment Officer and Chief Compliance Officer  
Alyson Gomez - Vice President  
Catherine Sansbury - General Counsel  
Annie Boehnke - Associate

All employees of both SJCM and Jones Villalta are subject to each firm's Investment Advisers Policies and Procedures, Code of Ethics & Standards of Professional Conduct, and Personal Trading Policies which seek to minimize the conflict of interests presented.

- Stephen Jones, our Chairman, is on the Board of Directors, the Treasurer and a shareholder via a trust to The First National Bank (the "Bank") located in Albany, Texas. This presents certain potential and actual conflicts of interest. Mr. Jones is subject to our firm's Investment Advisers Policies and Procedures, Code of Ethics & Standards of Professional Conduct, and Personal Trading Policies which seek to minimize the conflict of interests presented.
- Our employee, Catherine Sansbury, is an attorney and general counsel to SJCM and Jones Villalta. This presents certain potential and actual conflicts of interest. She performs various administrative and legal services for us. She is our in-house counsel and does not represent other clients, except for Jones Villalta. In addition, she is subject to each firm's Investment Advisers Policies and Procedures, Code of Ethics & Standards of Professional Conduct, and Personal Trading Policies which seek to minimize the conflict of interests.

Furthermore, there is no relationship or arrangement that is material to our advisory business or to our clients that we and our management persons have with a related insurance company or agency, a related pension consultant, a related real estate broker or dealer, a sponsor or syndicator of limited partnerships, a related broker-dealer, municipal securities dealer or government securities dealer or broker, a related futures commission merchant, commodity pool operator, or commodity trading adviser, a related accountant or accounting firm. Neither SJCM nor any of our management persons are registered, or have an application pending to register as a Broker Dealer, or registered representative of a broker dealer. Neither SJCM nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.



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

### **Code of Ethics**

We have elected to adopt the CFA Institute's Asset Manager Code of Professional Conduct pursuant to SEC rule 204A-1. This Code includes fundamental principles of conduct, including the responsibility to act in a professional and ethical manner at all times; act for the benefit of clients; act with independence and objectivity; act with skill, competence and diligence; communicate with clients in a timely and accurate manner; and to uphold the rules governing capital markets. A complete copy of our Code of Ethics is available upon request.

### **Participation or Interest in Client Transactions**

Jones Villalta and our related persons have a financial interest in certain mutual funds that may be recommended to our advisory clients as an investment. While they will not receive any direct compensation for these recommendations, some of these related persons could receive the indirect benefit of possible lower costs due to a greater amount of shareholders, as they too are shareholders of the fund.

We may recommend that an investment be made in our affiliated proprietary Fund or separately managed accounts for which we act as the investment adviser provided our clients are also a client of our affiliate Jones Villalta. The conflicts of interest are addressed above in response to **Item 10**.

### **Personal Trading**

We have adopted a Personal Securities Transactions Policy and a copy of it is available on request.

- Our employees may buy or sell for their own accounts publicly traded mutual funds, which we may buy for client accounts or may recommend to clients.
- SJCM's policy prohibits any trades for our clients other than mutual fund trades executed in mutual fund wrap accounts. Any conflict of interest between our employees that may purchase these mutual funds too is minimal as all shareholders receive the same NAV end of day closing price.
- No employee of the firm may knowingly purchase securities from a client or sell securities to a client.
- Employees' brokerage statements are reviewed on a regular basis to determine

employees' compliance with our personal trading policies.

**Privacy Policy**

We have adopted a Privacy Policy and a copy of it is available on request.

**Item 12 - Brokerage Practices**

At SJCM, we do not directly manage our clients' investments. Instead, we provide consulting services on matters such as asset allocation or risk modeling and the selection of third-party money management firms and mutual funds via the platform at Lockwood through Pershing the broker-dealer.

We do not direct the trades for our clients, but rather Lockwood does. As noted in Lockwood's ADV, Part II, Schedule H, Lockwood has adopted a Best Execution Policy pursuant to which Lockwood reviews samples of trades daily. Pursuant to its Best Execution Policy, Lockwood has established a best execution committee which meets quarterly to review and monitor compliance with all applicable regulations. All of our clients receive Lockwood's ADV, Part II Schedule H.

As a matter of policy and practice we do not have any soft dollar formal or informal arrangements. We receive no cash benefit or commissions, from Lockwood or Pershing in connection with our clients' accounts. However, Lockwood provides us with access to its proprietary account management and data transmission services to enable us to monitor the accounts of our clients. Similarly, Lockwood provides us with index and benchmark research (which is attainable through other sources via the internet) and performance reports for our client's investments.

Through our relationship with Lockwood, a registered investment advisor, we have access to the services of several money management firms that ordinarily serve only institutional investors. Our asset management clients enter into contracts with Lockwood under which

Lockwood's fees, Pershing's fees, the money management firms' fees, and our fees are charged to the client as one fee. Lockwood's fees and services are disclosed in Part II of Lockwood Advisors' Form ADV, Schedule H, a copy of which is provided to clients.

We do not select broker dealers or third parties to receive client referrals.

We only refer our clients to use Pershing because they are with the Lockwood platform. As a result, our clients may pay higher or lower transaction fees than if the transactions were effected through a different broker. For some clients, we buy and sell mutual funds for their accounts and have discretion over the funds selected or divested. We could be considered to have discretion over the selection of custodians and broker dealers because we typically only offer these services in conjunction with Lockwood, and require that any client utilize Lockwood, as the third party advisor (through Lockwood the client selects various sub-advisors), and Pershing as the custodian and broker dealer.

We do not aggregate trades for clients because our clients are invested in mutual funds. Clients do not incur additional costs because they would receive the same end of day closing NAV (Net Asset Value) plus trading costs as applicable.

### **Item 13 - Review of Accounts**

Our client's portfolios and holdings are reviewed on a weekly basis for transactional data by Thomas E. Villalta, President and Chief Investment Officer or his designee, Alyson Gomez, Vice President of Operations. Additional reviews performed at least quarterly focus on determining if portfolios need to be re-balanced in order to meet self-imposed diversification constraints that we have articulated in our investment strategy.

The nature of the review may include the following factors:

- The appropriateness of the assets with regard to the client's objectives
- The value of the assets
- The allocations are consistent with risk diversification and asset allocation
- Transactions are consistent with the nature of the account

More frequent reviews are triggered by market conditions, news events, or any other factor

Mr. Villalta deems significant. Broad market movements (certain defined movements in the S&P 500) in excess of 5% also will result in portfolio reviews. These extreme cases are in addition to the general review of accounts taking place on a weekly basis.

We will provide clients that have engaged us for ongoing consulting and monitoring services with written quarterly reports detailing their investment positions and a summary of their performance for various time periods. Clients will also receive monthly statements and trade confirmations from Pershing, the custodian.

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

We do not receive economic benefits (including sales awards or other prizes) from non-clients for providing investment advice or other advisory services to our clients.

We and our related persons do not have any arrangements in place to compensate, directly or indirectly, other parties or individuals for client referrals.

#### **Item 15 - Custody**

Clients receive account statements directly from Pershing. Clients should review these statements carefully. In addition, we provide quarterly reports generated by Lockwood to our clients. Clients should compare these quarterly statement values to those shown on the respective month-end statement they receive. On our reports, we include the following:

**“We urge you to carefully review the information included in this report to the information on the statements you receive directly from your account(s’) custodian. Should you have any questions, please contact us.”**

#### **Item 16 - Investment Discretion**

Our clients execute the SJCM Investment Adviser Agreement which provides us with the discretionary authority to reallocate investments between accounts.

We also have discretionary authority to manage securities accounts on behalf of our mutual fund clients. Our mutual fund clients execute a Limited Power of Attorney which gives us authority to:

- Reallocate assets between a client's account
- Direct sales of securities for tax purposes
- Add designated interested parties to receive duplicate statements
- Change individual investment managers
- Make disbursements to the client at the client's address of record

Some of our separately managed accountholders do not execute the Limited Power of Attorney described above. In those cases, we shall require the client to provide us with a written authorization to conduct changes to the account and to conduct any transaction for the account.

In the event that a client would like to place limitations on this discretionary authority, we would address it on a case by case basis. We do not have limitations customarily placed on the authority from our clients described above.

#### **Item 17 - Voting Client Securities**

We do not vote proxies for our client's accounts. Typically, the money manager for the separate account or mutual fund that we select for our client will vote the proxies on a client's account.

On a rare occasion, a mutual fund will have a proxy to be voted. These proxies are available to the client to vote as they choose. Our clients may elect to have Lockwood vote their securities. Their policies, procedures and guidelines are outlined in the Lockwood's Form ADV, Part II, Schedule H.

## **Item 18 - Financial Information**

We do not require prepayment of fees that total more than \$1,200 per client, six or more months in advance.

There is not any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

We have not been the subject of a bankruptcy petition at any time during the past 10 years.

## **Item 19 - Requirements for State-Registered Advisers**

This does not apply to us because we are an SEC registered investment adviser.

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<sup>i</sup> Jones Villalta Asset Management, LLC (Jones Villalta) is an affiliated investment adviser to Stephen Jones Capital Management, Inc. Jones Villalta is the adviser to the Jones Villalta Opportunity Fund (Fund).

The Fund is distributed by Unified Financial Securities, Inc. (Member FINRA).

***Carefully consider the investment objectives, potential risks, management fees, and charges and expenses of the Fund before investing. The Fund's prospectus contains this and other information about the Fund, and should be read carefully before investing. You may obtain a current copy of the prospectus by calling 1 866-950-5863. Past performance is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.***