

# JRM Investment Counsel

An Independent Investment Advisor Firm

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

**March 28, 2018**

### **Item 1: Cover Page**

This brochure provides information about the qualifications and business practices of JRM Investment Counsel, LLC (JRM). If you have any questions about the contents of this brochure or would like a current copy, please notify us at the contact information above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

JRM is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about JRM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

There have been no material changes to this brochure since the last annual update March 29, 2017.

Pursuant to SEC Rules, JRM will ensure that a summary of any material changes to this and subsequent brochures will be sent to clients within 120 days of the close of our business' fiscal year. JRM may further provide other ongoing disclosure information about material changes as necessary. JRM will further provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

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#### **Item 4: Advisory Business**

JRM provides investment management services for direct clients, including but not limited to businesses and individuals. JRM provides continual investment advice and management services consistent with client strategies and objectives. Advisory services and asset allocation are tailored to the individual needs of each client based on their respective liquidity requirements, risk tolerance and investment time horizon. JRM provides advisory services to meet a wide range of client needs, typically following the process outlined below.

**Initial Consultation** - Prior to engaging in an advisory relationship, JRM will meet with a prospect to discuss their investment experience, risk tolerance, financial goals, income needs and time horizons to assess their situation and determine how it could be improved. If appropriate, JRM will introduce potential strategies to better meet the prospect's financial goals and objectives. JRM does not expect to be the better solution for every investor, and a recommendation to move forward will only be made if it is determined working together will benefit the prospect.

**Investment Objectives** - After agreeing to move forward, JRM will draft a document to guide services and investment management practices including, asset allocation, investment constraints, income needs, return objective, risk tolerance, tax mitigation strategies and legacy wealth transfer strategies, if applicable. Together, the investment objectives will be thoroughly reviewed to ensure mutual understanding. The process is typically collaborative, and revisions are not uncommon as the better path is determined. Upon final approval, JRM will move forward to the on boarding process and investment strategy implementation.

**Portfolio Management** - As each client's situation evolves and capital markets change, JRM will make adjustments to client portfolios. This could include adding or removing investments or re-balancing the portfolio to established asset allocation targets. In certain situations, it may be appropriate to modify the originally agreed upon asset allocation from the Investment Objectives guiding document. Generally in these cases, JRM would discuss these recommendations prior to implementation. Private portfolio reviews are conducted at the client's preferred scheduled interval (e.g., quarterly, semi-annually, annually, etc.).

Investment management services are provided through separately managed accounts at a custodian selected by JRM or the client. JRM does not take custody of client assets. JRM will have discretionary authority for the limited purpose of buying and selling securities in each client's investment accounts without prior communication with the client. The custodian maintains custody of all client assets and sends periodic statements, trade confirmations and other reports directly to each client.

The types of securities frequently considered by JRM include common stocks, preferred stocks, publicly traded partnerships, real estate investment trusts, corporate bonds, municipal bonds,

agency bonds, mutual funds, exchange traded funds, closed-end funds and put and call options. Some of these securities may not be appropriate for certain clients.

JRM was formed in 2006 and is owned by John R. McDonnell (Jack), age 64. Jack is an investment advisor representative of the firm and serves as President and Chief Investment Officer (CIO). In addition to managing client portfolios, Jack is chairman of the firm's Investment Committee, which approves individual securities and investment strategies for client portfolios.

Before forming JRM, Jack was an independent consultant (2002-2006), President and CEO of Ameritrade, Inc. (1999-2001), an executive at First Data Corporation (Executive Vice President and Chief Financial Officer, First Data Resources, 1995-1996; President First Data Enterprises, 1996-1997; and Managing Director, Card Services Group, 1997-1998) and Executive Vice President and Chief Operating Officer, FirstTier Financial (1989-1995). Jack has 40 + years of experience in the financial services industry.

Jack received a B.S., Accounting from St. Ambrose College, Davenport, Iowa in 1975.

Phillip T. McDonnell (Phil), age 35, joined JRM in July, 2013. Phil is an investment advisor representative of the firm and serves as Chief Operating Officer (COO) and Chief Compliance Officer (CCO). In addition to managing client portfolios, Phil is responsible for firm operations, including technology, financial plan development and regulatory compliance. Phil is also a member of the investment committee.

Prior to joining JRM, Phil held several positions at TD Ameritrade, Inc. (2006-2013) including High Value Client Broker, Investment Specialist, Retirement Specialist and Investor Solutions Manager. Phil has 12+ years of experience in the financial services industry.

Phil received a B.S., Finance from St. Louis University in 2005 and a M.B.A., from Creighton University in 2012. In addition, Phil is a Chartered Retirement Planning Counselor<sup>SM</sup> (CRPC<sup>®</sup>) and a CERTIFIED FINANCIAL PLANNER<sup>TM</sup> practitioner (CFP<sup>®</sup>).

Lauren M. McDonnell (Lauren), age 29, is joining JRM in 2018. Lauren will be an investment advisor representative of the firm and will serve as Vice President. In addition to managing client portfolios, Lauren will be responsible for security analysis and performance measurement. Lauren will also be a member of the investment committee.

Prior to joining JRM, Lauren held several positions at Lockton Retirement Services, an affiliate of Lockton Investment Advisors, LLC (2012-2018), including Account Manager and Account Executive. Lauren has 6+ years of experience in the financial services industry.

Lauren received a B.S., Finance and International Business from St. Louis University in 2012. In addition, Lauren has a Certificate in Investment Performance Measurement<sup>TM</sup> (CIPM<sup>®</sup>).

The CRPC®, CFP® and CIPM® certifications are voluntary; no federal or state law or regulation requires these credentials.

The CRPC® mark is conferred by the College for Financial Planning. To obtain the right to use the CRPC® mark, a candidate must complete a course of study encompassing pre- and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations and passing an examination. The program is designed for approximately 120-150 hours of self-study. The program is self-paced and must be completed within one year from enrollment. CRPC® is a registered trademark owned by the College for Financial Planning.

The CFP® mark is conferred by the Certified Financial Planner Board of Standards, Inc. (CFP Board). To attain the right to use the CFP® mark, a candidate must have a bachelor's degree; three years of professional experience in financial planning; agree to be bound by CFP Board's Standards of Professional Conduct; complete an advanced college level course of study including insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning and estate planning; and then pass the comprehensive CFP® Certification Examination. In addition, CFP® professionals must complete 30 hours of CE every two years, including two hours of CFP Board-approved Ethics CE focusing on CFP Board Standards of Professional Conduct. CFP® is a registered trademark owned by the CFP Board.

The CIPM® mark is conferred by the Chartered Financial Analyst Institute (CFA Institute). To attain the right to use the CIPM® mark, a candidate must have a bachelor's degree or equivalent education/work experience; acquired two years of specific professional experience in investment performance-related activities or four years of experience in the investment decision-making process; agreed to be bound by the CIPM Code of Ethics and Standards of Professional Conduct; and then pass two exams: Level I (Principles) and Level II (Expert). The exams are focused on advanced, globally relevant, and practice based investment performance and risk evaluation skills, including the Global Investment Performance Standards (GIPS). In addition, CIPM Association members must complete a minimum of 15 hours of continuing education (CE) annually. CIPM® is a registered trademark owned by the CFA Institute.

Neither Jack, Phil or Lauren are employed in any other business activities or receive additional compensation from any outside sources.

At December 31, 2017 JRM had discretionary management authority for 105 accounts and \$395.3 million of assets.

JRM does not sponsor or participate in any wrap fee programs.

## **Item 5: Fees and Compensation**

The specific manner in which fees are charged by JRM is established in a client's written agreement. The annual fee structure for providing investment supervisory services is based on a percentage of assets managed or a flat-fee rate. Generally, the fee rate is a function of the total dollars under management and the complexity of the client's investment strategy. The standard fee rate for multiple asset class portfolio strategies is 0.60% and the standard fee rate for fixed income portfolio strategies is 0.25%. JRM reserves the right to provide services at negotiated rates that may vary from standard fee rates. There is a minimum annual fee of \$5,000.

Fees are assessed on all assets under management, including securities, cash and money market balances. Margin debit balances do not reduce the value of assets under management.

Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Fees are payable quarterly or monthly in arrears. Clients may elect to be billed directly for fees or to authorize JRM to deduct fees from client's accounts. For the accounts with authorization to deduct investment management fees, JRM sends a statement that includes the amount of the fee and its calculation prior to deducting the fee from the account.

JRM's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge investment management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to JRM's fee. JRM does not receive any portion of these commissions, fees, and costs.

JRM may place orders to execute transactions with such brokers, dealers or issuers that it may in its sole discretion select. Orders are submitted for execution on such markets, at such prices, and at such rates of broker-dealer compensation as it deems appropriate. In selecting brokers and dealers, and in determining appropriate levels of compensation, JRM considers in addition to price and compensation rates, other relevant factors including execution capabilities. In some circumstances the broker dealer compensation paid may exceed the compensation that could be available from another broker dealer. However, in all circumstances the compensation paid is reasonable. Client transactions are not directed to any particular broker in return for products and research services received.

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

JRM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7: Types of Clients**

JRM provides portfolio management services to individuals, high net worth individuals, trusts, corporations and financial institutions.

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

JRM works with each client to develop an appropriate investment strategy based on their situation, including experience, risk tolerance, liquidity needs, goals and objectives.

JRM does not attempt to use market timing as an investment strategy.

According to academic research, asset allocation determines the majority of the expected long term return of investment portfolios. For each client, JRM develops an investment asset allocation strategy that seeks to maximize potential returns for their respective level of risk. For the majority of long term investors a diversified multiple asset class portfolio provides the best opportunity to maximize risk adjusted returns over a full market cycle. For these clients, cash and portfolio income are utilized to meet liquidity needs or are re-invested. For other clients, a fixed income portfolio with more predictable cash flow and a competitive yield may be a more appropriate investment strategy.

JRM utilizes a value-oriented investment style to identify investment securities for client portfolios. This value focus guides security selection for both initial investment and re-balancing efforts. Principally, JRM strives to select securities where risk adjusted returns appear favorable on either an absolute or relative basis. Multiple sources of information are utilized for security analysis, including commercially available information and evaluation services, financial newspapers and journals, company financial statements, and regulatory filings.

**Investing in securities involves risk of loss that clients should be prepared to bear. JRM Investment Counsel, LLC cannot guarantee any level of performance or that any client will avoid a loss.**

Fixed income securities are subject to certain risks including market, interest rate, credit and inflation risks. High yield, lower rated investments involve greater risk than investments with higher credit quality. The market value of fixed income securities will fluctuate with changes in interest rates and credit spreads. Generally, when interest rates increase, the value of fixed income investments will decline. Securities with longer maturities may be more sensitive to changes in interest rates than securities with shorter maturities.



Equity market values can decline in response to developments affecting a specific company or industry, or to changing economic, political or market conditions.

In addition, investing in securities outside of the United States involves certain risks. Any securities denominated in a foreign currency includes the risk of an adverse price movement of the foreign currency value relative to the US dollar. Any security dependent upon, or subject to, a foreign government regulation, approval or relationship adds political risk. These risks are generally greater in emerging markets that often lack the level of transparency, liquidity, efficiency, infrastructure, legal certainty and regulation found in more developed markets.

Options have inherent risks that can cause significant losses. However, the types of options strategies most commonly utilized by JRM, selling covered calls and cash secured puts, represent strategies designed to reduce risk or generate income.

There is no assurance that a diversified portfolio will outperform a non-diversified portfolio. Asset allocation and diversification do not ensure against market risk. Portfolios with relatively large concentrations in a few companies or sectors may be more vulnerable to risk than a more diversified portfolio.

Tax-loss harvesting is the practice of selling securities held in taxable accounts that have experienced a loss to reduce your taxes. The realized loss from the sale of the securities will offset taxes on capital gains and other income and therefore increase the after tax portfolio returns. To maintain the optimal asset allocation, risk profile and expected returns, securities similar to those sold are purchased with the proceeds.

**Finally, past performance is no guarantee of future results, and any historical returns or projected returns may not be indicative of future performance.** Current and prospective clients should never assume that future performance of any specific security or investment strategy will be profitable.

#### **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of JRM. JRM has had no criminal, civil or administrative proceedings involving the firm or its employees.

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

JRM is not actively engaged in any business other than giving investment advice.

JRM does not sell products or services other than investment advice to clients, is not paid cash by or receives some economic benefit (including commissions, equipment or non-research ser-

vices) from a non-client in connection with giving advice to clients and does not directly or indirectly compensate any person for client referrals.

JRM is not registered (or has an application pending) as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading adviser.

JRM has no arrangements that are material to its advisory business or its clients with a related person who is a: (1) broker-dealer; (2) investment company; (3) other investment adviser; (4) financial planning firm; (5) commodity pool operator, commodity trading adviser, or futures commission merchant; (6) banking or thrift institution; (7) accounting firm; (8) law firm; (9) insurance company or agency; (10) pension consultant; (11) real estate broker or dealer; or (12) entity that creates or package limited partnerships.

JRM or a related person is not a general partner in any partnership in which clients are solicited to invest.

## **Item 11: Code of Ethics**

JRM has adopted a Code of Ethics, which is reprinted below.

### *Code of Ethics*

#### *Fiduciary Obligations*

*We have a fiduciary responsibility to our clients and we will always:*

- *Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession and other participants in the capital markets.*
- *Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.*
- *Promote the integrity of, and uphold the rules governing, capital markets.*
- *Place the integrity of the investment profession and the interests of clients above our personal interests.*
- *Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.*
- *Maintain and improve our professional competence and strive to maintain and improve the competence of other investment professionals.*

#### *Standards of Professional Conduct*

*We will adhere to the following standards of conduct to the best of our ability and knowledge:*

- *Always act in an honest and ethical manner, including in connection with, and the handling and avoidance of, actual or potential conflicts of interest between personal and professional relationships.*
- *Respect the confidentiality of information acquired in the course of our work. We will not disclose such information without authorization or a legal obligation to do so, and will not use it for personal gain.*
- *Always deal fairly with clients, vendors, and competitors, and not seek unfair advantage through improper concealment or misrepresentation of material information, abuse of improperly acquired confidential information, or any other form of improper or unfair dealing.*
- *Always determine that an investment is suitable to the client's financial situation and consistent with the client's objectives and any restrictions before making a recommendation or taking any action.*
- *Know, respect, and fully comply with all applicable laws, rules and regulations of federal, state and local governments and any applicable regulatory agencies.*
- *Always use reasonable care to achieve and maintain independence and objectivity. We will not offer, solicit or accept any gift, benefit, compensation or consideration that reasonably could be expected to compromise our or another's independence and objectivity.*
- *Proactively promote full, fair, accurate, timely and understandable disclosure reports and documents in all public communications and regulatory filings.*
- *Each director, officer, partner, or employee will report his or her personal securities holdings and transactions on a quarterly basis and obtain prior approval if investing in an initial public offering or private placement. The Chief Compliance Officer will review these reports and transactions for any evidence of improper trading.*
- *Each employee will receive a copy of the Code of Ethics and acknowledge receipt in writing.*
- *Each client will receive a copy of the Code of Ethics with Form ADV-Part II before entering into a contract and any time upon request.*

Subject to satisfying this policy and applicable laws, officers, directors and employees of JRM may trade for their own accounts in securities which are recommended to and/or purchased for JRM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of JRM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Securities transactions impacting multiple accounts, including employee accounts, must be performed through the firm's block trading account, with all accounts receiving the same average price. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between JRM and its clients.

It is JRM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. JRM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. In such circumstances, the affiliated and client accounts receive securities at a total average price. JRM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed before the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the trade order.

## **Item 12: Brokerage Practices**

JRM may place orders to execute transactions with such brokers, dealers or issuers that it may in its sole discretion select. Orders are submitted for execution on such markets, at such prices, and at such rates of broker-dealer compensation, as it deems appropriate. In selecting brokers and dealers, and in determining appropriate levels of compensation, JRM considers along with price and compensation rates, other relevant factors, including execution capabilities. In some circumstances, the broker dealer compensation paid may exceed the compensation that could be available from another broker dealer. However, in all circumstances the compensation paid is reasonable. Client transactions are not directed to any particular broker in return for products and research services received.

JRM may determine that a securities transaction impacting multiple client accounts should be aggregated through the firm's block trading account, with all orders for the same security on the same day aggregated and each account receiving the same average price. Aggregating orders will often result in better execution and lower commissions. When aggregating orders and allocating purchases and sales to individual accounts, it is JRM's policy to treat all clients fairly. In the event of a partial fill, accounts will receive a pro rata allocation unless a de minimis number of shares are available. For example, if an order is placed for 10,000 shares and 8,000 were executed, each account would be allocated approximately 80% of the order amount. If for the same order only 500 shares were executed, other criteria may be used including the client's cash position (high for purchases or low for sales) or security concentration (low for purchases and high for sales) to allocate the shares. Generally, JRM will repeat the order on subsequent days until all accounts receive the appropriate allocation.

When trading errors occur for which JRM is responsible, clients are made whole by correcting the error and transferring any monetary losses to JRM's trade error account.

### **Item 13: Review of Accounts**

Accounts are reviewed continuously, including asset allocation, performance and conformity with investment objectives. Triggering factors that may be cause for account specific review are significant market volatility, deposits, withdrawals, changes in tax laws or changes in investment objectives.

Although one or more asset class may be outside its respective target guideline, JRM may determine not to rebalance the asset class for various reasons, including but not limited to avoidance or deferral of capital gain, our view on the relative value of the asset class or our macroeconomic view of the asset class. Jack, Phil and Lauren each review accounts and collaborate regularly to determine if changes to client accounts are appropriate.

Clients receive quarterly reports including security descriptions, asset allocation, market value, realized and unrealized gains and losses, total return and management fees. In addition, clients have access to portfolio information online that can be viewed at any time.

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

JRM does not receive client referrals or compensation from any broker dealer or compensation other than client fees for investment management services.

### **Item 15: Custody**

JRM does not accept or maintain custody of any client funds or securities and does not have the authority to withdraw, transfer or move funds to any third party, with the exception of deducting investment management fees (only if approved in writing by the client) from client's accounts.

Clients receive monthly or quarterly statements directly from the custodian that holds and maintains the client's investment assets. JRM urges clients to carefully review such statements and compare such official custodial records to the account statements that JRM provides to its clients. The JRM statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

### **Item 16: Investment Discretion**

JRM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold without obtaining client consent prior to each transaction. Portfolio composition of individual accounts within the same

investment strategy may differ for a variety of reasons, including client restrictions, timing of deposits and withdrawals, income tax considerations, and availability of certain types of securities. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account and the terms and limitations of the client agreement.

When selecting securities and determining amounts, JRM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to JRM in writing.

#### **Item 17: Voting Client Securities**

As established in the client written agreement, JRM does not have the authority and responsibility to vote proxies for its clients. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact us with questions about a particular solicitation.

#### **Item 18: Financial Information**

This item is not applicable to the firm brochure because JRM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, nor does JRM accept custody of any client assets. JRM has no financial commitment or condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.