

**Firm Brochure**  
**For Special Margin and Custody Services**  
(Part 2A of Form ADV)

**J W KORTH & COMPANY, LP**

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This brochure provides information about the qualifications and business practices of J W KORTH & COMPANY with regard to its services setting up custody and margin arrangements. . Our Portfolio Management Brochure deals with other services. If you have any questions about the contents of this brochure, please contact us at: 517 333 4512, or by email at: [info@jwkorth.com](mailto:info@jwkorth.com). 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 J W Korth & Company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Margin Borrowing has risk and you should pay special attention to the Margin Disclosure Statement on Page 5 of this brochure.**

3/25/2015

## Material Changes

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### Annual Update

This is the annual update to our Special Margin and Custody Services Brochure. The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

There were no material changes made to this brochure.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochures, please contact us by telephone at: 517 333 4512 or by email at: [info@jwkorth.com](mailto:info@jwkorth.com).

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## Advisory Business

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### Firm Description

J W Korth & Company was founded in 1982.

While 2011 is the first year the firm has been active as an investment advisor, the Firm has been in the securities business since 1982, primarily specializing in the fixed income market. The firm is both a broker dealer and a financial advisor and as such manages portfolios both as a financial advisor and a market maker, underwriter and principal and agency trader in primarily fixed income securities. This brochure describes a specific activity with a separate contract for services. The clients of J W Korth need the best custody and margin services and the firm engages various custodians to provide these services. J W Korth analyzes their product offerings and recommends and negotiates the best arrangements for our clients.

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### Principal Owners

J W Korth & Company is a partnership organized under Michigan law. The General Partner, J W Korth LLC, owns more than 25% of the firm and is wholly owned by James Korth, who also serves as the Managing Partner of J W Korth & Company. Nearly all employees of the firm have equity interests.

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### Types of Advisory Services

This brochure addresses only our Special Margin and Custody services. J W Korth's clients need the best custody and margin services, and the firm engages various custodians to provide these services. J W Korth analyzes their product offerings and recommends and negotiates the best arrangements for its clients. Other advisory services are described in our Portfolio Management Firm Brochure.

As of the date of this brochure, J W Korth & Company has \$7.5 million in assets managed within its Investment Advisory business, which was started in 2011. However, J W Korth & Company's brokerage business has approximately \$225mm of assets under management, a portion of which is managed on a discretionary basis, and estimates it services more than \$1 billion in assets held away.

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### Types of Agreements

#### Special Margin and Custody Advisory Agreement

This agreement memorializes a relationship with the client whereby J W Korth analyzes the custody and margin services offered by various custodians and based on the client's portfolio of securities and specific needs J W Korth identifies the best custodian, and arranges for the opening and management of custody and margin accounts. The fees for these arrangements are negotiable based on the level of margin borrowing for each account. Fees for

these arrangements can be as high as 1.50% for smaller accounts less than \$100,000 and as low as .25% for larger institutional accounts.

The length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying J W Korth & Company in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, J W Korth & Company will refund any unearned portion of the advance payment.

J W Korth & Company may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, J W Korth & Company will refund any unearned portion of the advance payment.

## **Fees and Compensation**

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### **Description**

J W Korth & Company bases its fees on the margin balances in the custodial accounts it manages.

Fees are negotiable above threshold amounts.

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### **Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Investment Advisory clients may terminate the agreement at any time by providing written notice to J W Korth. If the agreement is terminated prior to the last day of the billing quarter, a prorated portion of the fees paid will be refunded to the client based on the remaining number of days in the quarter.

*For example, if an account is valued at \$1,000,000 at the onset of the quarter, it would be billed in advance \$2,465.75 (1.0% annualized fee based on a 365 day year). If the quarter holds 90 days, the prorated refund would be \$27.397 per day (\$2,465.75/90). If the client terminates the contract 10 days prior to the end of the quarter, the refund would be \$273.97.*

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**Other Fees**

Margin advisory fees paid to J W Korth strictly cover margin advice and management services. The client is responsible for covering the following fees:

- Custodial fees
- Investment management fees and expenses charged by pooled investments such as mutual funds, exchange traded funds, and REITS
- Commissions associated with equity transactions or other agency based trades, including bond trades
- Mark-ups or mark-downs associated with fixed income trades executed on a principal basis

J W Korth & Company, in its sole discretion, may waive its minimum fee and/or charge a lesser margin advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Margin Advisory Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations.

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**Past Due Accounts and Termination of Agreement**

J W Korth & Company reserves the right to stop work on any account that is more than 30 days overdue. Any unused portion of fees collected in advance will be refunded within 30 days.

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**Compensation**

For the services described herein, only a percentage of the margin balance is charged to the client as a fee. We find no conflict of interest with the client regarding these services.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

J W Korth does not accept performance based fees as part of the firm's suite of advisory services.

## **Types of Clients**

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**Description**

J W Korth & Company generally provides investment advice to:

Individuals  
Banks, Credit Unions, and Insurance Companies  
Pension and Profit Sharing Plans  
Trusts and Estates  
Charitable Organizations

Corporations and other business entities

Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size is \$100,000 of assets under management, which equates to an annual fee of \$1500.

When an account falls below \$500,000 in value, the minimum annual fee of \$7500 or 1.5% is charged, whichever is lower. Depending upon circumstances, J W Korth & Company may sign another agreement with the client if assets have diminished significantly below \$500,000.

J W Korth & Company has the discretion to waive the account minimum. Accounts of less than \$100,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$100,000 within a reasonable time. Other exceptions will apply to employees of J W Korth & Company and their relatives, or relatives of existing clients.

Clients receiving ongoing asset management services will be assessed a \$1500 minimum annual fee, or 1.5%, whichever is lower. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

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### **Methods of Analysis**

At least monthly J W Korth reviews the margin arrangements for its customers and compares the rates and services among several custodians. The review will be based on the clients' particular needs, the types of securities margined and parameters regarding the custodian.

**Risks** Margin rates are generally negotiable and set by the lending institution. We cannot warrant that we have the best arrangements that any or all institutions offer. Further, each institution has some level of credit risk. This risk is often mitigated by insurance both from SIPC and outside independent providers. As part of our service we periodically review the insurance arrangements of custodians and will provide information regarding these arrangements to our clients but it is the client's decision as to which custodian where he places his assets. If an institution fails for any reason we cannot be held accountable for recommending safekeeping securities there.

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### **Investment Strategies**

For our Special Margin and Custody Services we do not employ any investment strategies. Such strategies may be created by our broker dealer or



as an investment advisor for portfolio management. Please see our Portfolio Management Services brochure for information regarding these services.

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## **Risk of Loss - Margin Disclosure Statement**

**Margin Borrowing has large risks.** When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from the Custodian where your securities are held. If you choose to borrow funds, the securities purchased are the Custodian's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan. As a result, the Custodian can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include, but are not limited to, the following:

**You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to the Custodian to avoid the forced sale of those securities or other securities in your account.

**The Custodian can force the sale of securities in your account.** If the equity in your account falls below the maintenance margin requirements required under the law, or the Custodian's higher "house" requirements, the Custodian can sell the securities in your account to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

**The Custodian can sell your securities without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid and that the Custodian cannot liquidate securities in their accounts to meet calls unless the Custodian has contacted them first. This is not the case. The Custodian will attempt to notify you of margin calls, but is not required to under the regulations or as stated in our margin agreement. Even if the Custodian has contacted a customer and provided a specific date by which the customer can meet a margin call, the Custodian can still take the necessary steps to protect its financial interests, including immediately selling any securities without notice to the customer.

**You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, The Custodian has the right to decide which security to sell in order to protect its interest.

**The Custodian can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice.** These changes at the Custodian can take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the Custodian to liquidate or sell securities in your account.

**You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

**J W Korth & Company Special Margin and Custody services are related only to recommending who we believe to be the best Custodian based on margin rates and the level of borrowing provided along with other technical services. J W Korth cannot act for or prevent the actions of any Custodian and therefore cannot be responsible for any activity by any Custodian described above.**

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

J W Korth & Company is registered as a securities broker-dealer and a registered investment advisor.

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### **Affiliations**

J W Korth & Company is both a broker-dealer and an investment advisor. As such it charges both markups/commissions and fees to its clients.

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

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### **Code of Ethics**

J W Korth & Company has adopted the National Association of Personal Financial Advisors Code of Ethics as our own and will provide them separately to any client or prospective client upon request. They may also be found at the end of this document.

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## **Participation or Interest in Client Transactions and Personal Trading**

For our Special Margin and Custody Services J W Korth does not employ any investment strategies and does not have an interest in the client's margin transactions or custody transactions and there is no personal trading which is related to these services. There is no conflict of interest between J W Korth's client and the firm regarding these services.

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## **Regular Reports**

Clients will receive monthly statements if transactions have occurred (in the previous month) and quarterly if no transactions have occurred. In addition, clients will receive at least monthly confirmations for every trade executed in their account.

Clients receive periodic communications on at least an annual basis. Communications may be oral or written, depending on the size and complexity of the account and arrangements made with each client.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

J W Korth & Company does not have any arrangements in which the Firm will receive economic benefits for margin advisory services other than fees collected from margin advisory clients.

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### **Referrals Out**

J W Korth & Company does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

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### **SEC "Custody"**

From time to time, J W Korth & Company may be considered to have custody of certain types of accounts, such as when an employee acts as a trustee of an unrelated trust and the firm acts as the investment adviser to that trust. When the firm has such custody, an annual surprise audit of those custodied accounts is performed by an independent CPA firm in compliance with SEC requirements. Neither J W Korth & Company nor any of its related persons currently are investment advisers to a trust.

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### **Custody and Account Statements**

J W Korth & Company has an established custody and clearing agreement with RBC Capital Markets, a subsidiary of the Royal Bank of Canada, and is in the process of opening relationships with several other custodians and use of these custodians will be a large part of the service described in this brochure. Clients will receive specific information regarding a given custodian each time it is recommended they open an account with a different entity. Account statements will be provided at least quarterly by these custodians.

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### **Discretionary Authority for Trading**

J W Korth & Company will have no investment discretionary authority as it relates to the Special Margin and Custody Service described in this brochure.

## **Voting Client Securities**

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### **Proxy Votes**

Clients will receive their proxies directly from the transfer agent or custodian. J W Korth & Company does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, J W Korth & Company will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## **Financial Information**

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### **Financial Condition**

J W Korth & Company does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

J W Korth & Company has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

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### **General**

J W Korth & Company has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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**Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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**Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## **Information Security Program**

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**Information Security**

J W Korth & Company maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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**Privacy Notice**

J W Korth & Company is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to you annually, in writing.