



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

**JSF Financial LLC**

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03/30/2020

**This brochure provides information about the qualifications and business practices of JSF Financial LLC. If you have any questions about the contents of this brochure, please contact us at 323-866-0833. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration does not imply a certain level of skill or training.**

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

## Item 2 Material Changes

This Firm Brochure, dated March 30, 2020, provides you with a summary of JSF Financial LLC's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

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

Since the last update of our brochure on December 3, 2019, the following are the material changes to this brochure:

Item 4, Advisory Business- We updated the description of our Large-Cap Equity Model Portfolio Strategy.

Item 5, Fees and Compensation- We updated to: (i) clarify that for advisory billing purposes, account market values include accrued and dividends and (ii) add disclosure that JSF recommends and assists certain clients with obtaining margin loans and included information on the risks and conflicts applicable to margin and how JSF addresses the conflicts.

Item 10, Other Financial Industry Activities and Affiliations- We provided updated disclosures regarding our affiliated Private Fund Sponsors and unaffiliated relationships.

Item 11, Code of Ethics- We updated disclosures to reflect that employees may aggregate certain trades with client trades.

Item 12, Brokerage Practices- We updated our order aggregation and allocation disclosure to reflect that employees may aggregate certain trades with client trades.

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## **Item 4    Advisory Business**

JSF Financial LLC ("JSF") is a SEC-registered investment adviser with its principal place of business located in California. JSF began conducting business in 1996.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

Jeffrey S. Fishman, Managing Member  
Shari Fishman, Chief Compliance Officer

JSF offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

JSF provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment allocation strategy and create and manage a portfolio based on that strategy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, liquidity needs, and unique circumstances. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

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

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

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Open-end and closed-end mutual fund shares

- United States governmental securities
- Options contracts on securities
- Alternative investments/ Private Funds
- Interests in partnerships including but not limited to real estate, private equity, hedge funds and venture capital

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

From time to time, JSF will recommend alternative and/or private investments to clients, such as limited partnerships, or limited liability companies, which invest in securities or other private investments, such as feeder funds and fund of funds ("Private Investment Funds"). Such Private Investment Funds can include, but are not limited to hedge funds, real estate funds, private equity funds, and venture capital funds. Depending on the type of fund, the Private Investment Funds invest in various types of securities, including, but not limited to equities, debt instruments, commodities, futures contracts, real estate, and other private funds.

Investing in Private Investment Funds involves various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints, lack of transparency, lack of portfolio investment diversification, and risks associated with the underlying investments. A complete discussion of risks and other important information is set forth in each Private Investment Fund's offering documents, which will be provided to each client for review and consideration prior to investing. Unlike liquid investments, such as publicly traded securities, Private Investment Funds do not provide daily liquidity or pricing and in some cases limit or restrict redemptions. Please refer to Item 8 below for further information on risks.

JSF will only recommend potential investment in a Private Investment Fund to clients that meet the appropriate qualification definition. JSF considers a client's investment objectives, risk tolerances, the size of the client's holdings and cash available for investment. In addition, prior to investment, clients wanting to invest in a Private Investment Fund will be required by the issuer of the fund to complete a subscription agreement, pursuant to which the client shall confirm that he/she meets the required qualification status for investment in the Private Investment Fund and acknowledges and accepts the various risk factors that are associated with such an investment.

Should a client decide to invest in a Private Investment Fund, we can facilitate the implementation of the transaction when requested. Historically, we have not exercised investment discretion with respect to these types of investments and have not provided on-going management of the investment. Going forward, we will be offering to perform on-going management of certain Private Investment Funds that we recommend for investment. When making recommendations, JSF will notify the client whether or not we will provide management services on the Private Fund Investment. Should a client agree to invest in such a fund and have us manage the investment, the amount

invested will be included in a client's account value thereafter for advisory fee billing purposes. Clients are not required to invest in any Private Investment Fund recommended by JSF. Please refer to Item 5 for more information on our billing practices.

There are times when one or more employees invest in Private Investment Funds or other alternative investments recommended to clients. This creates a potential conflict of interest. Please refer to Item 11 for further information, including how JSF addresses the conflict.

We reserve the right to offer advice on any investment product that we believe is suitable for each client's specific circumstances, needs, goals and objectives. Clients have the opportunity to place reasonable restrictions on the types of investments they wish to purchase. Clients retain individual ownership of all securities. Clients must notify JSF promptly of any material change in financial circumstances or investment objectives which might affect the manner in which accounts should be invested.

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

### **Wrap Fee Program**

JSF also sponsors a Wrap Fee Program, the JSF Wrap Program. A wrap fee program is one under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client's account. For clients who participate in the JSF Wrap Program, a description of the program, as well as the associated fee schedule, can be found in the Part 2A, Appendix 1. JSF is no longer accepting new clients into our wrap program.

## **INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT**

### **Asset Allocation Model Portfolios**

Our firm also provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to offer a strategic asset allocation solution which meets a particular investment goal, mainly utilizing mutual funds and ETFs

Model allocation portfolios are designed to offer investment options that fit the desired risk profile and objectives of the client. Growth oriented model allocation portfolios are intended to allocate capital along the risk tolerance spectrum from ultra-conservative to aggressive. The desired risk level is achieved by controlling the allocation to the various major asset classes - cash and cash equivalents, fixed income, equities, alternatives and other asset classes. The actual allocation varies in each model allocation portfolio. There are three additional model allocation portfolios for income-oriented investing; one tailored for taxable accounts, one tailored for non-taxable accounts and one for enhanced income. The primary objective of the income model allocation portfolios is to generate income while maintaining a certain risk level necessary for modest growth.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as risk tolerance and tax considerations.

Through personal discussions with the client in which the client's investment goals and objectives are established, we determine the model allocation portfolio that is suitable to the client's circumstances. Once we determine the suitable model allocation portfolio for a client, the selected portfolio is managed based on the model portfolio's asset allocation targets and any reasonable restrictions requested by the client.

### **Large-Cap Equity Model Portfolio Strategy**

JSF offers an investment strategy concentrated primarily in approximately 30 equity securities of US large-cap companies and/or sector exchange traded funds that have lower volatility characteristics relative to the broad equity market. The strategy is designed to capture all sectors of the S&P 500 Index and is geared to serve as a diversifier/complement to traditional large-cap allocations.

Through personal discussions with the client in which the client's investment goals and objectives are established, we determine whether this strategy is suitable to the client's circumstances. A client's assets invested in this strategy are managed by JSF based on a model portfolio of equity securities that pertain to the strategy's investment thesis and any reasonable restrictions requested by the client.

JSF will only recommend/implement model portfolios for clients when determined suitable and consistent with the client's stated investment objectives, tolerance for risk, liquidity needs, and any stated restrictions. To ensure that our initial determination of an appropriate model portfolio remains suitable and that a client's account continues to be managed in a manner consistent with the client's overall goals and objectives, we will:

1. At least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. Be reasonably available to consult with the client; and
3. Maintain client suitability information in each client's file.

Clients are required to inform JSF when there is a change to their financial circumstances, or investment goals or objectives during each year.

Please refer to Item 8 below for additional information on our methods of analysis and the risks associated with the securities used in our model portfolios.

### **MANAGER SELECTION PROGRAMS**

For certain strategies, JSF will outsource a portion of the investment selection to independent professional asset managers who are not affiliated with JSF to act as Sub Advisors through our Third-Party Manager Account Program (hereinafter, "Program").

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This



asset allocation strategy is drafted into the client's recommended portfolio.

Based on the client's individual circumstances and needs, as exhibited in the client's recommended portfolio, we will then perform management searches of various unaffiliated registered investment advisers to identify which investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. Certain managers require clients to sign an agreement with the recommended adviser. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with the client's risk tolerance and investment objectives. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs as exhibited in the recommended portfolio. For such arrangements, our fee shall be in addition to the fees charged by the adviser. Fees differ depending upon the individual agreements we have with each adviser.

We monitor the performance of the selected registered investment adviser(s). If we determine that a selected registered investment adviser(s) is not providing sufficient management services to the client or is not managing the client's portfolio in a manner consistent with the client's allocation, we will have the authority to hire and fire the adviser and reallocate client assets to other advisers as we deem appropriate. Clients must notify JSF promptly of any material change in financial circumstances or investment objectives which might affect the manner in which accounts should be invested

### **Lockwood Managed Wrap Accounts Program**

JSF also has an agreement with Lockwood Advisors, Inc. This program is no longer offered to new clients. Similar to the direct Third-Party Manager Account program described above, this program allows for assets to be managed by independent third parties on a discretionary basis. The Lockwood program offers traditional separately managed accounts offering more than 50 managers covering a variety of investment styles/options. JSF is not directly responsible for the specific investment decisions within a client's account inside the Lockwood Managed Accounts Program. Rather, JSF will assist the client with selecting from the list of managers within the Lockwood Program, who will then make the specific investment decisions for the account. When participating in the Program, clients pay a wrap fee, which, as previously described, is a fee that includes advisory, brokerage and custodial Services. JSF will retain a portion of this wrap fee for services provided. Since the cost of participating in this program can be more or less than the cost of participating in similar programs or the cost of paying for the services separately, clients should consider among other things, the amount of the Program fee, administrative costs as well as the services to be provided. Clients should refer to Lockwood Advisors, Inc. Firm Brochure or other disclosure document for a full description of the services offered.

If we determine that a particular selected manager in this Program is not providing sufficient management services to the client or is not managing the client's portfolio in a manner consistent with the client's allocation, we will have the authority to hire and fire the adviser and reallocate client assets to other advisers as we deem appropriate. Clients must notify JSF promptly of any material change in financial circumstances or investment objectives which might affect the manner in which accounts should be invested.



## **FINANCIAL PLANNING**

JSF provides a variety of financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client.

In general, the financial planning process can address any or all of the following areas:

**PERSONAL:** We review family records, budgeting, personal liability and financial goals.

**TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.

**INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.

**INSURANCE:** Analysis includes a review of existing policies to recommend proper coverage for life, health, disability, long-term care, liability, home and automobile.

**EMPLOYEE BENEFITS:** We review and analyze whether the client is taking maximum advantage of available employee benefits. We will also offer advice on employer-sponsored retirement plans and/or stock options.

**COLLEGE FUNDING:** Analysis includes projecting the amount of money needed to achieve post-secondary education funding goals, along with reviewing various college finding vehicles that are available. We can also assist with reviewing eligibility for financial aid.

**RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

**MORTGAGE FINANCING:** We review the client's real estate financing needs and help them find the most appropriate and cost-effective program.

**DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

**ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid, mortgage refinancing and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, family status and attitudes towards risk. We carefully review documents supplied by the client, complete various supporting documentation which can include a budget or balance sheet questionnaire and prepare various recommendations to present to the client. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant and/or other professionals. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that include tax and budgetary planning, estate planning, insurance planning, mortgage planning and business planning.

Financial planning services will be ongoing until the arrangement is terminated in writing by either JSF or the client.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. The financial planning process varies in the level of service and cost based upon clients' circumstances, needs and objectives as well as information provided by the client. Client must promptly notify JSF if his or her financial situation, goals, objectives, or needs change.

### **ANCILLARY SERVICES**

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

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2019, we were actively managing \$742,185,755 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL AND MODEL PORTFOLIO MANAGEMENT FEES MANAGER SELECTION PROGRAM**

Our current annualized fee for Investment Supervisory Services generally begins at 1.00% of the value of assets under management.

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

- 1- A set asset-based fee of a negotiated percentage
- 2- A pro-rated/tiered fee in respect of specific assets
- 3-

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
On assets up to \$3,000,000	1.00%
On assets in excess of \$3,000,000 but less than \$5,000,000	.90%
On assets equal to and in excess of \$5,000,000	.75%

Any of the above fee arrangements can also include a separately defined fee in respect of specifically

designated assets. A minimum of \$500,000 of assets under management is generally required for this service. This account size is negotiable under certain circumstances. JSF can group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

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

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

**Third Party Manager Account Fees:** Clients participating in the Third-Party Manager Selection programs, including the Lockwood Advisors Managed Account Program, are charged various program fees in addition to the advisory fee charged by our firm. Such fees include the investment advisory fees of the independent sub advisers as well as transaction costs. The total fees charged to you will vary from manager to manager. Under this program, the total negotiated fee is divided between JSF and the selected sub advisor. JSF and the sub advisor each debits allocated fees directly from the client account. Alternatively, the sub advisor debits the fees directly from the client account and forward to JSF its negotiated portion of such total fees. The fee will be payable quarterly in advance at the beginning of the quarter and is based on the market value of the account at the end of the previous quarter.

In evaluating such an arrangement, the client should consider that, depending upon the level of the fee charged by the independent manager and broker-dealer, the amount of portfolio activity in the client's account, and other factors, the fees can exceed the aggregate cost of such services if they were to be purchased from a different source. We will review with clients any separate program fees that are charged to clients. Clients should refer to the fee agreement and disclosure documents of the selected third-party sub advisor for information regarding the fees charged by the sub advisor.

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

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

## **FINANCIAL PLANNING FEES**

JSF's Financial Planning fee is determined based on the nature of the services being provided and

the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. JSF has no minimum net worth or account balance for financial planning services.

Our Financial Planning fees are generally calculated and charged on a fixed fee basis, typically ranging from \$500 to \$75,000, depending on the specific arrangement reached with the client. The annual retainer fee is based upon the complexity of the plan as well as the ongoing work and maintenance that is agreed upon. The fee is negotiable.

The client can choose the frequency of invoicing which includes monthly, quarterly or semiannual options. Invoicing will commence upon execution of the financial planning agreement. The fees shall be calculated and paid in advance in accordance with the rate and frequency set forth in the agreement fee schedule. These requirements can be waived at the sole discretion of the advisor. However, we will never require prepayment of fees that will exceed \$1,200 for work that will not be completed within six months.

Alternatively, our Financial Planning fees can be calculated and charged on an hourly basis at the following non-negotiable hourly rates:

Mr. Jeffrey Fishman	\$995/hour
Mr. Mordechai Fishman	\$795/hour
Mr. Olivier Cornet	\$495/hour
Mr. Zev Fried	\$495/hour
Mr. Brian Mercado	\$295/hour
Ms. Seta Keshishian	\$295/hour

Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. For hourly billing, Clients are billed on an ongoing basis as services are rendered.

All financial planning fees are separate and distinct from commissions charged by a broker dealer or asset management fees charged by an investment advisor to implement such recommendations.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** The client can terminate the Agreement within five business days of entering the Agreement without penalty. After the five-day period, a Client Agreement can be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period. Terminated accounts will be charged expenses incurred by JSF in the transfer or final disposition of the account. After the Agreement has been terminated, client becomes responsible for monitoring their own assets and JSF has no further obligation to act or provide advice with respect to those assets.

If a client terminates his or her Financial Planning relationship with JSF and requests a refund of outstanding fees, client will incur a pro rata charge for services rendered prior to the termination of the Agreement.

**Mutual Fund and ETF Fees:** JSF invests in mutual funds, including open-end funds, closed-end funds (mainly interval funds) and ETFs in client portfolios. Each mutual fund charges fees to shareholders, which are described in their respective prospectus and usually include a management fee, administrative and operations fees, and certain distribution (e.g., 12b-1 fees) and/or redemption fees. These fees are generally referred to as a fund's "expense ratio" and the fees are deducted at the mutual fund level when calculating the fund's net asset value ("NAV") and have a direct bearing on the fund's performance. Certain mutual funds also charge an up-front or back-end sales charge. In addition, some open-end mutual funds offer different share classes of the same fund and one share-class can have a higher expense ratio than another share class. The most economical share class will depend on certain factors, including the amount of time the shares are held by a client and the amount a client will be investing. Also, closed-end interval funds usually don't have 12b-1 distribution fees, but they do charge redemption fees for each redemption made by a shareholder. Mutual fund expense ratios vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all the fees charged. The fees charged by mutual funds are in addition to the advisory fees charged by JSF and other third-party fees.

JSF will strive to purchase, when available, the lowest cost mutual fund share class for clients. In addition, for new clients that hold any mutual funds upon account opening, JSF will determine whether such mutual fund remains suitable for the client's current objective and if we believe it is, then we will check to see if a lower cost share class is available and transfer the client's mutual fund holding into such share class. However, there have been times in the past, and can be in the future, when JSF does not have access to lower costs share classes. This mainly happens when the client's custodian does not offer a lower cost share class for some or all of the mutual funds bought for and/or held in clients' accounts, or the investment amount does not meet the share class minimum investment requirement.

Transaction fees also play a role in the overall costs when investing in mutual funds. Some custodians offer certain higher cost mutual funds share classes for purchase at no transaction cost. Therefore, JSF will purchase a more expensive share class anytime we've determined, based on facts and circumstances, that such transaction would be the most economical for a client. We also will transfer a client into a lower cost share class at a later date if we determine it is beneficial for the client.

The fees charged to a client's account lowers the overall performance of the account. Therefore, clients should review all applicable direct and indirect fees charged, including but not limited to custodian fees, transaction fees, fees associated with investments (e.g., mutual funds and ETFs), and advisory fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

We will review with wrap program clients any separate wrap program fees that are charged to those clients. Please see Part 2A Appendix 1 of Form ADV for more information on the JSF Wrap Program.

**Wrap Fee Programs:** In a wrap fee arrangement, including the Lockwood Advisors Managed Account Program, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions are executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the advisor, the amount of portfolio activity in the client's account, and other factors, the wrap fee can exceed the aggregate cost of such services if they were to be provided separately. Please see the "Mutual Fund and ETF Fees" section above for further information, including the conflict surrounding this activity and how JSF addresses such conflict.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any brokerage commissions, transaction charges imposed by a broker dealer, clearing and custodial fees, transfer fees and other fees and taxes on brokerage accounts and securities transactions. Due to the timing of execution of securities transactions, it is possible that two clients invested in the identical security will pay different transaction fees. Please refer to the "Brokerage Practices" (Item 12) and "Client Referrals and Other Compensation" (Item 14) sections of this Form ADV for additional information.

Certain employees providing investment advice on behalf of JSF are also licensed independent insurance agents. These employees will earn commission-based compensation for selling insurance products, including insurance products they sell to a JSF client. Insurance commissions earned by these employees are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to a client for the purpose of generating commissions rather than solely based on the client's needs. However, a client is under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm. In addition, JSF is a fiduciary and as such will only provide recommendations believed to be in the best interest of clients.

Neither JSF nor any JSF investment adviser representative receives any compensation, including 12b-1 fees from any mutual funds invested in by JSF advisory clients. However, JSF investment adviser representatives are also registered securities representatives of Mid Atlantic Capital Corporation, ("Mid Atlantic") a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). As such, they recommend to brokerage clients, certain types of investment products that include, but are not limited to, mutual funds. When a brokerage client invests in such mutual funds in their brokerage account at Mid-Atlantic Capital, the JSF representative, in his/her role as a Mid-Atlantic Capital registered representative, receives commissions, 12b-1 fees, and/or other sales-based compensation, which are normally received for such investments. Clients are under no obligation to purchase recommended products or to purchase the products either from any associated person or through Mid Atlantic. The compensation received by our advisory representatives from outside business activities is outlined in their Form ADV Part 2B – Disclosure Supplement, which is provided to all new clients. A copy can be obtained by contacting us directly.

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



**Securities Backed Line of Credit:** For certain clients, JSF will recommend and can facilitate the establishment of Securities Backed Line of Credit (SBLOC) / Non-Purpose Loans through a third-party bank. An SBLOC is a bank line of credit collateralized by the assets of the managed account. An SBLOC enables clients to access non-purpose credit that is secured by that client's brokerage and/or advisory portfolio. The maximum amount of the credit given depends on the lending value of the portfolio. Securities Backed Lending creates additional risks for managed account clients including, but not limited to being subject to a collateral call due to a drop in the account's value attributable to downward market movement, market volatility and credit exposure. All these can lead to collateral shortfalls and cause the bank which has extended the credit, to ask the managed account client for additional collateral or can cause the liquidation of existing collateral to satisfy the collateral shortfall. Such a circumstance can result in the failure to reach investment goals. Any securities-based lending fees and interest are separate and in addition to any fees paid pursuant to the JSF investment management agreement. These types of loans are not suitable for all investors and carry a number of other risks (please refer to Item 8 below for further details on risks). Clients should not obtain such a loan or line of credit without fully understanding the benefits and risks.

There also is a conflict of interest between JSF and a client implementing a SBLOC, mainly due to the fact that the proceeds a client receives from an SBLOC can be used in place of the client having to withdraw assets from their account managed by the Firm. Therefore, the Firm continues to receive fees on the securities in the account even though they are used as collateral. To address this conflict, JSF provides disclosures to clients, mainly through delivery of this Form ADV Part 2A, and has implemented policies and procedures to help ensure that all recommendations being provided to clients are suitable and the clients are aware of all material risks and conflicts. For further information about these types of loans, please refer to the Investor Bulletin issued by the SEC at <https://www.sec.gov/oiea/investor-alerts-bulletins/sbloc.html>.

**Margin Loans.** For certain clients, JSF will recommend and can facilitate the establishment of margin loans through Fidelity or National Financial Services ("NFS"). Fidelity and NFS can loan a client money against the value of certain stocks, bonds and mutual funds in your portfolio. That borrowed money is called a margin loan and can be used to purchase additional securities or to meet short-term financial needs. Margin loans are not available in retirement or custodial accounts. There's no set repayment schedule with a margin loan—monthly interest charges accrue to the account, and principal may be re-paid at the borrower's convenience. Margin can be profitable when stocks increase in value. However, the magnifying effect works the other way as well. The marginable investments in the portfolio provide the collateral for the margin loan. While the value of that collateral fluctuates according to the market, the amount borrowed stays the same. If the value of the stocks decline to the point where they no longer meet the minimum equity requirements, there will be a margin call. When this happens, the custodian will ask that more cash or marginable securities be deposited into the account to meet the minimum equity requirement or it may sell securities in the account as needed. Please remember that margin loans increase the accounts level of market risk and Fidelity or NFS may initiate the sale of any security in the account without contacting the account owner to meet the margin call. Account owners are not entitled to an extension of time on a margin call. JSF charges advisory fees on total value of assets managed, including the outstanding margin balance. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. To address this conflict, JSF provides disclosures to clients, mainly through delivery of this Form ADV Part 2A, and has



implemented policies and procedures to help ensure that all recommendations being provided to clients are suitable and the clients are aware of all material risks and conflicts. For further information about these types of loans, please refer to the Investor Bulletin issued by the SEC at [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_marginaccount](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_marginaccount).

**Grandfathering of Minimum Account and Advisory Fee Requirements:** Pre-existing advisory clients are subject to JSF's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and fee schedule will differ among clients.

**ERISA Accounts:** JSF is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, JSF Financial LLC can only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset JSF Financial LLC's advisory fees.

**Advisory Fees in General:** Clients should note that it is possible that similar advisory services and/or products are available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

JSF does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets in a client's account.

However, certain Private Investment Funds that JSF recommends to clients do charge performance/incentive-based fees, which are outlined in the respective product's offering documents and should be reviewed by clients prior to investing. These performance fees can only be charged to fund investors that meet the definition of "qualified client" outlined in Rule 205-3 under the Investment Advisers Act of 1940. JSF does not receive any portion of these performance/incentive fees.

## Item 7 Types of Clients

JSF provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts

- Charitable Organizations
- Pension and profit-sharing plans (other than plan participants)
- Corporations, partnerships or other businesses not listed above

As previously disclosed in Item 5, Fees and Compensation, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

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

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

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

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

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

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

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful will not necessarily be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager can deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

We also review any Interval Funds that we recommend to clients. Interval funds can expose investors to liquidity risk, and that risk is greater in funds that invest in securities of companies with smaller market capitalizations, derivatives or securities with substantial market and/or credit risk.

Even though interval funds make periodic offers to repurchase a portion of outstanding shares, clients should consider interval fund shares to be an illiquid investment. There is no guarantee that investors will be able to sell interval fund shares at any given time or in the quantity that they desire.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she will not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager deviates from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we can be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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

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

**Risks for all forms of Analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data is incorrect, there is always a risk that our analysis can be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

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

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account

for a year or longer. Typically, we employ this strategy when:

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

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

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

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

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

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

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

The two types of options are calls and puts:

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

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

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

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

the price received when selling that option.

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

**Concentration of Investments.** Our large-cap equity model portfolio strategy will consist of approximately 30 holdings that are limited to equity securities of companies with capitalization of \$20 billion or more at time of purchase.

## RISK OF LOSS

Securities investments are not guaranteed, and you can lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Investing in securities carries the risk of loss of principle, which an investor must be prepared to bear. Investment recommendations and advice are not legal or accounting advice. Client should coordinate and discuss the impact of financial advice with their attorney and/or accountant. Client should inform JSF promptly with respect to any changes to client's financial situation and/or investment goals and objectives. Failure to notify JSF of any such changes could result in investment recommendations which do not meet the needs of the client.

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

**Interest-rate Risk.** Fluctuations in interest rates cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk.** The price of a security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk.** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk.** This is the risk that future proceeds from investments have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

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

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while Private Investment Funds and Interval Funds are not. Illiquid securities are private securities or assets for which there is no public market. As a result, these securities are often subject to sale restrictions due to securities laws or contractual obligations. In addition, these investments can

take several years to mature. During the investment holding period, there may be no cash distributions to the client. Interval funds are considered illiquid due to the fact they are not publicly traded and their special redemption structure. They are not required to provide daily liquidity and only offer to repurchase a certain percentage of outstanding shares at set time periods throughout the calendar year. Shareholders can only redeem at the fund's designated intervals, which are outlined in the fund's prospectus. Importantly, while interval funds make periodic redemption offers, there is no guarantee that all shareholders will be able to sell the amount of shares they want, when they want. In addition, the extent of illiquidity of interval funds can vary depending on the liquidity of their underlying investments

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

**Margin Risk.** Some clients maintain margin accounts. Accordingly, we can use margin transactions to implement investment advice given to these clients. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of using margin include "margin calls" (also called "fed calls" or "maintenance calls"). Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account. While the use of margin borrowing can increase returns, it can also magnify losses. JSF generally manages accounts on margin only at the client's request.

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

**Financial Risk.** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations results in bankruptcy and/or a declining market value.

**Securities Back Line of Credit (SBLOC) Risk.** The main risks surrounding SBLOCs include: (i) failure to perform by the lender due to financial instability, (ii) tax consequences and loss of appreciation due to premature sale of the securities used as collateral, (iii) lack of funds to repay the loan, and (iv) high cost and high interest rate charges.

**Concentration Risk.** Having too much exposure to one type of investment or sector increases the potential for loss due to various factors, including but not limited to liquidity constraints, company financial issues, and market movement.



## **Item 9 Disciplinary Information**

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

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

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

### **Broker Dealer Licenses**

JSF investment adviser representatives are also registered securities representatives of Mid Atlantic Capital Corporation, ("Mid Atlantic") a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). As such, they recommend to brokerage clients, certain types of investment products that include, but are not limited to, mutual funds. When a brokerage client invests in such mutual funds in their brokerage account at Mid-Atlantic Capital, the JSF representative, in his/her role as a Mid-Atlantic Capital registered representative, receives commissions, 12b-1 fees, and/or other sales-based compensation, which are normally received for such investments. Clients are under no obligation to purchase recommended products or to purchase the products either from any associated person or through Mid Atlantic. The compensation received by our advisory representatives from outside business activities is outlined in their Form ADV Part 2B – Disclosure Supplement, which is provided to all new clients. A copy can be obtained by contacting us directly.

### **Affiliated Private Fund Sponsors**

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

Clients received a separate disclosure document that detailed all conflicts of interests between JSF and ALJ Capital Management at the time of the recommendation or introduction. Clients who chose to engage ALJ Capital Management or participate in one of their private investment funds bore the separate fees associated with its services and private investment funds. All fees and conflicts of interests were fully disclosed in ALJ Capital Management's Disclosure Brochure and corresponding offering memorandum(s).

Jeffrey Fishman is member of ALJ Capital Partners, LLC, which serves as the general partner of the ALJ Funds, described above. JSF associated persons previously referred to its qualified clients an opportunity to invest in private investment partnerships or investment limited liability companies including the Funds for which ALJ Capital Partners is a general partner. Each offeree received a copy of the offering documents, which disclosed the relationship between JSF and the investment



partnership or company. JSF did not receive any referral fees upon referral of the client by JSF, although Jeffrey Fishman, through his affiliation with ALJ Capital Partners, received performance fees because of clients invested in a fund of which ALJ Capital Partners is the general partner. Clients who invested in the Fund were not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

In 2017, ALJ Capital Management elected to liquidate the ALJ Funds, which remain in liquidation mode and no longer accepts new investors. JSF no longer recommends the advisory services of ALJ Capital Management or the ALJ Funds to qualified clients.

### **Unaffiliated Private Fund Sponsors**

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

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

JSF offers to perform on-going management of certain unaffiliated private investment funds that we recommend for investment. Should a client agree to invest in such a fund and have us manage the investment, the amount invested will be included in a client's account value thereafter for advisory fee billing purposes. Clients are not required to invest in any private investment fund recommended by JSF. These unaffiliated private investment funds are not invested in private funds sponsored by ALJ Capital Partners, LLC (see disclosure above) and/or by ALJ Capital Management.

### **Insurance Licenses**

Jeffrey Fishman is the Founder and President of Fishman Capital Corporation, a company engaged in the business of selling fixed annuities, life, and disability insurance. Clients are under no obligation to act upon the recommendations of Mr. Fishman and, if they do so, they are under no obligation to implement any such recommendations through Fishman Capital. If a client decides to buy insurance through Fishman Capital, the client will pay the normal fees and expenses associated with the insurance products. Mr. Fishman will receive compensation in connection with those transactions. Fishman Capital does not assess an investment advisory fee for advice regarding insurance, but does have a conflict of interest when providing insurance-related advice, since Mr. Fishman has a financial incentive to recommend insurance products over other forms of investment vehicles. As disclosed in Item 5, Fees and Compensation, certain associated persons of JSF are licensed as independent insurance agents. Clients can choose to engage these persons, in their individual capacities to effect insurance transactions on a commission basis. The recommendations made by a JSF representative that a client purchase an insurance product presents a conflict of interest as the receipt of commissions provide an incentive to recommend various insurance products based on the commissions. No JSF client is under any obligation to purchase any commission products from any JSF representative. Clients can purchase insurance products through any other licensed insurance agent. See Item 14 for additional information.

### **Unaffiliated Law Firm**

Jeffrey Fishman is licensed to practice law and is of counsel to the Weinreb Law Group, an unaffiliated law firm. To the extent that Mr. Fishman provides legal services to any clients of JSF Financial, all such services shall be performed by the Weinreb Law Group, in its individual professional capacity, independent of JSF Financial, for which services JSF Financial shall not receive any portion of the fees charged by the Weinreb Law Group, referral or otherwise. The Weinreb Law Group is not involved in providing investment advice on behalf of JSF Financial. No client of JSF Financial is under any obligation to use the services of the Weinreb Law Group. Clients are reminded that they may acquire legal services through other, non-affiliated law firms. Mr. Fishman currently receives no compensation from the work done as of counsel with the Weinreb Law Group.

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

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

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

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

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

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

principles that guide the Code.

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

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

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

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

It is the expressed policy of our firm that our employees deemed to be access persons (as defined in our Code of Ethics) cannot purchase or sell a security, option on a security, or certain designated Exchange Traded Funds ("ETFs") that JSF Financial trades for its clients on the same trading day that the security/option has been sold or purchased in client accounts. However, for such employees who are invested in a JSF model portfolio, JSF will aggregate the trade with other clients' trades in the same security and place as a "block trade." When this occurs, the participating employee(s) will receive the same price as all the client participating in the block trade. If a partial fill of the trade occurs, the shares will be allocated either pro-rata amongst all accounts, or if that is not possible or deemed to be in the best interest of the clients, then the shares will be allocated to clients first. Employees deemed as access persons must obtain prior approval for any purchases and sales of closed end funds, individual stocks, options on individual stocks, designated Exchange Traded Funds ("ETFs"), initial public offering, and limited private offerings (including Private Investment Funds).

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request by calling us at 323-866-0833.

## Item 12 Brokerage Practices

JSF determines the broker through whom securities transactions are to be effected and the custodian used to custody client funds. As a general policy, JSF does not permit clients to direct that we use a specified broker for their transactions. Generally, JSF managed accounts are custodied at either National Financial Services ("NFS") or Fidelity Institutional Wealth Services, a division of Fidelity Clearing and Custody Solutions. ("Fidelity"), registered broker dealer, Member SIPC. As discussed in Item 10 above, JSF is associated with Mid Atlantic Capital Corporation, a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA").

When placing trades for clients, JSF has a fiduciary duty to seek the best execution. In accordance with that duty, JSF has determined and continues to believe that the client's custodian or their affiliated broker provides the best overall value for the client and remain competitive in relation to executions and the cost of transaction. For those accounts custodied at NFS, all trades are placed through Mid Atlantic. Mid Atlantic uses the services of NFS for custody and clearing. For those accounts custodied at Fidelity, trades are placed directly through Fidelity brokerage services. Except as provided for in any applicable wrap fee program or third-party manager agreement, brokerage commissions and/or transaction fees charged by NFS or Fidelity are exclusive of and in addition to JSF's fees.

JSF considers several factors in using the services of the above listed broker dealer and. In seeking best execution, JSF considers many factors which include, but are not limited to, ease of use, reputation, execution capability, commission rates, creditworthiness and financial stability, clearance and settlement capability and other services which will help JSF in providing investment management services to clients. JSF also takes into consideration the availability of the products and services received or offered by the custodian. Accordingly, although we will seek competitive rates to the benefit of all clients, we will not necessarily obtain custodians the lowest possible commission rates for specific client account transactions. See Item 14, Client Referrals and Other Compensation for more information.

### **Order Aggregation and Allocation**

JSF's policy is to aggregate client trades when trading in the same security on the same day and when we believe it is advantageous to clients. There are times when employee trades will be aggregated with client trades. Aggregating trades allows us to place trades in a timelier, more equitable manner, and receive an average share price for all participating accounts. If the aggregated order is not executed in its entirety on the same day it is placed, the shares received will be allocated on a pro-rata basis among all participating accounts. However, if JSF determines that such an allocation would not be beneficial to the clients participating in the trade, then we will allocate the shares in a manner determined to be in the best interest of participating clients. When this occurs, participating clients will receive allocations first over any participating employee accounts. Each participating account in an aggregated trade will pay their own respective transaction fees/commissions.

JSF, from time to time, recommends investments in Private Investment Funds to certain clients. Mainly, such investments are available only to a limited number of sophisticated investors who meet the definitions of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and "qualified client" under the Investment Advisers Act of 1940. Additionally, Private Investment Funds are considered "limited offerings", since they only accept a limited amount of funds for investment.

Generally, JSF only recommends these types of investments to clients that have indicated an interest to invest in such. Depending on the Private Investment Fund, there can be times when the amount available for investment is small. When determining which clients should receive a recommendation to invest in a Private Investment Fund, JSF will consider several factors, including but not limited to a client's sophistication, risk tolerances, qualifications, and investment objectives. JSF's goal is to allocate in a fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Investment Funds is mainly subjective and not all qualifying clients will be provided an investment opportunity. Additionally, there are times when a JSF employee invests in certain Private Investment Funds that are recommended to clients. When this occurs, a conflict exists and to mitigate the conflict employees are required to receive prior written approval by the CCO.

It is important that qualifying clients receiving a recommendation to invest in a Private Investment Fund read the offering documents prior to investing to fully understand the risks and conflicts pertaining to the investment.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL AND MODEL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, Client account reviews are conducted at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews are triggered by material changes in variables such as the client's individual circumstances, market conditions, political or economic environment. Clients are encouraged to notify JSF Financial of any changes in personal circumstances. Reviewers consist of investment advisors and supervised persons.

**REPORTS:** In addition to the monthly or quarterly statements and confirmations of transactions that Portfolio Management Services clients receive from their custodian, JSF will generally provide reviews at least annually summarizing account performance, balances and holdings.

### **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

JSF will provide reviews as contracted for at the inception of the advisory relationship. Reviewers include investment advisors and supervised persons.

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

In addition to the monthly or quarterly statements and confirmations of transactions that third-party manager clients receive from the manager and/or custodian, JSF will generally provide reviews at least annually summarizing account performance, balances and holdings.



## FINANCIAL PLANNING SERVICES

**REVIEWS:** While reviews occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### Item 14 Client Referrals and Other Compensation

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

Periodically, representatives from mutual fund companies which represent funds with whom we place trades for our clients will sponsor client educational seminars, meals for our firm personnel and an occasional ticket to a sporting event. In addition, these personnel, as a result of holding securities licenses as registered representatives of a broker-dealer (previously disclosed in Item 10), participate in broker-dealer sponsored events.

Additionally, JSF's advisors are also licensed and appointed with various insurance companies to offer insurance products. Although JSF does not offer specific product sales incentives for securities products, issuers of non-securities insurance products offer sales incentives to our advisors in the form of trips if certain sales thresholds are met. Please ask the advisor about these incentives at the time of sale. See Items 5 and 10 for additional information.

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

#### Other Benefits from our Custodians

Mid Atlantic, NFS and Fidelity make available to us certain products and services that benefit JSF but do not directly benefit our clients' accounts. These types of services help us in managing and administering client accounts, thereby serving the best interest of our clients, but also benefitting us since they are provided at no cost to JSF. These products and services include, but are not limited to: (i) computer software with related system support and other technology that provide access to client account data (i.e. trade confirmations and account statements); (ii) facilitation of trade executions; (iii) providing research, pricing information, and other market data; (iv) facilitate in the payment of our fees from clients' accounts; and (v) assist with back office functions, record keeping, and client reporting. Many of these services are used to service all or a substantial number of our accounts. Mid Atlantic, NFS and Fidelity provide other benefits from time to time, such as client appreciation and educational events, conferences on practice management, regulatory compliance, information technology, and business success. Mid Atlantic, NFS and Fidelity will usually discount or waive fees it would otherwise charge for these services, or in some cases pay all or a part of the fees of a third party providing these services to JSF. In addition, Fidelity at its sole discretion, reimburses JSF for our costs related to clients transferring their accounts to Fidelity from a different custodian.

As part of our fiduciary duty to clients, JSF endeavors at all times to put the interests of our clients first and we place trades for our clients' accounts subject to our duty to seek best execution. Clients should be aware, however, that the receipt of economic benefits by JSF or our related persons in and of itself creates a conflict of interest as it provides an incentive, which can indirectly influence JSF's recommendation of Mid Atlantic, NFS and Fidelity for custody and brokerage services.

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

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there is an error in their statement.

### **Standing Letters of Authorization**

Certain clients have signed, and may in the future sign, a written Standing Letter of Authorization (SLOA) that gives the Firm the authority to transfer funds to a third-party as directed by the client in the SLOA. This deems the Firm with constructive custody since such document gives us authority to instruct the custodian to transfer assets out of a client's account to a third party. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, JSF Financial is exempt from the surprise audit requirement for custody due to SLOAs, so long as the Firm: (i) confirms that the name and address of the third party is included in the SLOA, (ii) documents that the third-party receiving the transfer is not related to the Firm, and (ii) ensures that



certain requirements are being performed by the qualified custodian, including but not limited to providing certain client notification.

## **Item 16 Investment Discretion**

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm and can limit this authority by giving us written instructions. Clients can also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

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

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

## **Item 18 Financial Information**

JSF has no additional financial circumstances to report.

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

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