

# **FJY Financial**

SEC File Number: 801 – 66159

## **ADV Part 2A, Firm Brochure**

**Dated: March 24, 2020**

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This brochure provides information about the qualifications and business practices of FJY Financial (“FJY”). If you have any questions about the contents of this brochure, please contact us at (432) 570-1305 or [Lda@fjyfinancial.com](mailto:Lda@fjyfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about FJY also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to FJY as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 Material Changes

Since its March 15, 2019 Annual Amendment filing, FJY Financial, LLC have made the following material changes to its Form ADV 2A Disclosure Brochure:

- Item 5: Disclose Independent Managers and to disclose fees for Retirement Plan Consulting.
- Item 10: Add disclosure regarding investment advisor representatives that have an insurance license.
- Item 14: Updated to reflect that FJY IARs may receive additional compensation or business development incentives.

Although not material, this Disclosure Brochure has been amended:

- Item 4: Enhanced disclosure language throughout.
- Item 8: Added disclosures regarding the different types of risks associated with certain investments.

**ANY QUESTIONS: Our Chief Compliance Officer, Larry Adams, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.**

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

- A. FJY Financial, LLC (“FJY”) is a limited liability company formed on January 5, 2006 in the State of Delaware. FJY became registered as an investment adviser firm in January 2006. FJY is principally owned by Jon Yankee, FJY’s Managing Member.
- B. As discussed below, FJY offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, other business entities, etc.) financial planning, investment and non-investment related consulting, and investment management services on either a combined or stand-alone basis.

##### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

FJY may provide its clients with a broad range of financial planning or consulting services (including investment and non-investment related matters). Financial planning services may include the following: review of property and liability insurance; income tax planning; cash management; estate planning; planning for children’s education; retirement planning; retirement plan distribution analysis; real estate investment analysis; charitable gifting techniques; planning for special needs (e.g., disabled child, elder care, etc.); advanced estate planning techniques; practice management; planning for special situations (e.g., a business opportunity, an investment opportunity, buy-sell agreement, employment agreement, etc.). F JY will generally charge a fixed fee for these services. Prior to engaging FJY to provide financial planning or consulting services on a stand-alone basis, the client will generally be required to enter into a *Financial Planning and Consulting Agreement* with FJY setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, the portion of the fee that is due from the client prior to FJY commencing services and when the engagement is complete. In performing its services, FJY shall not be required to verify any information received from clients or from the clients’ other professionals, and is expressly authorized to rely thereon.

If requested by the client, FJY may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from FJY. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** FJY, shall be responsible for the quality and competency of the services provided.

**Please Also Note:** It remains the client’s responsibility to promptly notify FJY if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising FJY’s previous recommendations and/or services.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage FJY to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. Prior to engaging FJY to provide investment advisory services, clients are required to enter into an *Investment Advisory*

*Agreement* with FJY setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. FJY's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of FJY), FJY may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

## RETIREMENT PLAN CONSULTING

FJY also provides retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, FJY shall also provide participant education and preparation of an Investment Policy Statement (or review of the plan's existing Investment Policy Statement) designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. No plan participant should assume that any general informational materials or education sessions provided by FJY serve as the receipt of, or as a substitute for, personalized investment advice from FJY. To the extent any plan participant requires initial or ongoing personalized investment advice, the client is encouraged to consult with the investment professional of his or her choosing. If the plan's financial situation or investment objective(s) change, it is the sponsor's responsibility to notify FJY for the purpose of FJY reviewing/evaluating/revising its current services and/or recommendations. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between FJY and the plan sponsor.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting Services.** To the extent requested by the client, FJY will generally provide financial planning and related consulting services regarding non-investment related matters, such as tax planning, insurance, etc. FJY will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions may occur based upon assets under management, special projects, etc. for which FJY may charge a separate fee). **Please Note:** FJY does not serve as an attorney, accountant or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, FJY does not prepare estate planning documents or tax returns, nor does it sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from FJY and/or its representatives. **Please Also Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** FJY, shall be responsible for the quality and competency of the services provided.

**Use of Mutual Funds and Exchange Traded Securities:** While FJY may recommend allocating investment assets to mutual funds and/or exchange traded securities (“ETFs”) that are not available directly to the public, FJY may also recommend that clients allocate investment assets to publically-available mutual funds and ETFs that the client could obtain without engaging FJY as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds and ETFs without engaging FJY as an investment adviser, the client or prospective client would not receive the benefit of FJY’s initial and ongoing investment advisory services.

Certain mutual funds, such as those issued by Dimensional Fund Advisors (“DFA”), are generally only available through registered investment advisers. FJY may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of FJY’s services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. **FJY’s Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the above.**

**Independent Managers.** FJY may allocate (and/or recommend that the client allocate) a portion of a client’s investment assets among unaffiliated independent investment managers or separately managed accounts in accordance with the client’s designated investment objective(s). In such situations, the client will enter into a separate agreement with the *Independent Manager[s]* and the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. FJY shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which FJY shall consider in recommending *Independent Manager[s]* include the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. FJY performs a due diligence review on all Independent Managers to ensure they are properly registered in the states where FJY conducts business. **The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, FJY’s advisory fee as set forth in Item 5.** The Client will be provided with the independent manager’s Form ADV 2A (or a brochure that makes the appropriate disclosures) prior to entering into an agreement with the unaffiliated investment manager.

FJY may terminate a relationship between the client and an independent manager at your or your FJY investment advisor’s discretion. Factors involved in the termination of an independent manager may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the independent manager, unexplained inconsistency of account performance, or our decision to no longer include the independent manager on our list of acceptable independent managers. The notice of termination requirement and payment of fees for the independent manager will depend on the specific independent manager selected.

**Non-Discretionary Service Limitations.** Clients that determine to engage FJY on a non-discretionary investment advisory basis **must be willing to accept** that FJY cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that FJY would like to make a transaction for a client’s account (including an individual holding or in the event of general market correction), and the client is unavailable, FJY will be unable to effect the account transaction(s) (as it

would for its discretionary clients) without first obtaining the client's consent.

**ByAllAccounts.** In conjunction with the services provided by ByAllAccounts, Inc., FJY may also provide periodic comprehensive reporting services, which may incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by FJY (the "Excluded Assets"). FJY's service relative to the Excluded Assets is limited to reporting only. Because FJY does not have trading authority for the Excluded Assets, the client (and/or the other investment professional), and not FJY, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. Without limiting the above, FJY shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that FJY provide investment management services with respect to the Excluded Assets, the client may engage FJY to do so pursuant to the terms and conditions of the Investment Advisory Agreement between FJY and the client.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If FJY recommends that a client roll over their retirement plan assets into an account to be managed by FJY, such a recommendation creates a conflict of interest if FJY will earn a new (or increase its current) advisory fee as a result of the rollover.. **No client is under any obligation to roll over retirement plan assets to an account managed by FJY. FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.**

**Portfolio Activity.** FJY has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, FJY will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when FJY determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by FJY will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Client Obligations.** In performing its services, FJY shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify FJY if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising FJY's previous recommendations and/or services. The quality of FJY's services may be adversely affected should the client not provide requested information, and FJY may not be able to complete certain services should the client fail to provide requested information. In such cases, FJY will complete the services to which we have

contractually agreed and to the extent possible. FJY will not be obligated to refund any portion of fees if FJY is unable to complete all the agreed upon services due to a client's failure to provide requested information.

**Disclosure Statement.** A copy of FJY's written Brochure as set forth on Parts 2A and 2B of Form ADV shall be provided to each client prior to, or contemporaneously with, FJY's Privacy Notice and the execution of the *Investment Advisory Agreement*, *Financial Planning and Consulting Agreement* or *Retirement Plan Consulting Agreement*. Any client who has not received a copy of Adviser's written Brochure at least 48 hours prior to executing such agreement shall have five business days subsequent to executing the agreement to terminate the Adviser's services without penalty.

- C. FJY shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, FJY shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on FJY's services.
- D. FJY does not participate in a wrap fee program.
- E. As of December 31, 2019, FJY had \$540,587,849 in assets under management on a discretionary basis and \$35,731,820 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

FJY may be engaged to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. FJY will generally charge a fixed and/or hourly fee for these services. FJY's financial planning and consulting fees are negotiable, but generally begin at a minimum of \$5,000 to a maximum of \$50,000 for a broad financial plan, depending upon the level and scope of the services required, and the professionals rendering the services. FJY, may, in its discretion, also provide hourly financial planning or consulting services.

### **INVESTMENT ADVISORY SERVICES**

FJY shall charge an investment advisory fee based upon a percentage (%) of the market value of the assets placed under its management (generally between negotiable and 1.50%). FJY prices its discretionary and non-discretionary investment advisory services based upon various objective and subjective factors, including but not limited to: the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result, similarly situated clients could pay diverse fees, and the services to be provided by FJY to any particular client could be available from other advisers at lower fees.

FJY may engage Breckinridge Capital Advisors, Inc. (“Breckinridge”) and Belle Haven Investments (“Belle Haven”) as unaffiliated independent managers and may allocate (and/or recommend that the client allocate) a portion of a client’s investment assets among the unaffiliated independent investment managers or separately managed accounts in accordance with the client’s designated investment objective(s). The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, FJY’s advisory fees outlined in its Investment Advisory Agreement and this ADV Part 2A. The Client’s fee will be billed separately, in arrears, by the respective manager. A complete description of the independent manager’s fees are disclosed in their respective Form ADV 2A.

### RETIREMENT PLAN CONSULTING

FJY may provide retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. FJY’s retirement plan consulting fees are negotiable, but begin at a minimum annual fee of \$4,500. Fees are based on assets under management and generally range between 0.15% and 0.65%. In addition, to the extent requested by the plan sponsor, FJY shall also provide participant education and preparation of an Investment Policy Statement (or review of the plan’s existing Investment Policy Statement) designed to assist plan participants in identifying the appropriate investment strategy for their retirement plan accounts. An additional fee may be charged for this service and will be paid by the plan sponsor (not the plan participant).

- B. Clients may elect to have FJY’s advisory fees deducted from their custodial account. Both FJY’s *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of FJY’s investment advisory fee and to directly remit that management fee to FJY in compliance with regulatory procedures. In the limited event that FJY bills the client directly, payment is due upon receipt of FJY’s invoice. FJY may deduct fees and/or bill clients quarterly in advance or arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client’s circumstances require, FJY shall generally recommend that Charles Schwab & Co., Inc. (“*Schwab*”), Fidelity Investments (“*Fidelity*”) or TIAA-CREF (for certain eligible clients) (collectively, referred to as the “*Custodians*”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as the *Custodians* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients will incur, in addition to FJY’s investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. FJY’s annual investment advisory fee shall be prorated and paid quarterly, in advance or arrears, based upon the market value of the assets on the last business day of the previous quarter. FJY may separately negotiate with clients initial minimum account sizes or initial annual minimum fees for combined planning and investment management



services. Account minimums and minimum fees are separately negotiated with clients. As a result of these factors, similarly situated clients could pay diverse different minimum fees or have different account minimum values, and the services to be provided by FJY to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS: FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions regarding this arrangement.**

The *Investment Advisory Agreement* between FJY and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination for those clients who are billed quarterly in advance, FJY shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. Upon termination for those clients who are billed quarterly in arrears, FJY shall debit the client's custodial account (or invoice the client) for the pro-rated value of FJY's services based upon the number of days service was provided during the quarter. FJY shall use the market value of the client's asset as of the date of termination to calculate its fee.

- E. Neither FJY, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither FJY nor any supervised person of FJY accepts performance-based fees.

## **Item 7            Types of Clients**

FJY's clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, or other business entities, etc. Please see Item 5 for a description of how FJY may impose minimum fees or account sizes.

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

- A. FJY may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

FJY may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of

risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by FJY) will be profitable or equal any specific performance level(s).

- B. FJY's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis FJY must have access to current/new market information. FJY has no control over the dissemination rate of market information; therefore, unbeknownst to FJY, certain analyses may be compiled with outdated market information, severely limiting the value of FJY's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

FJY's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, FJY primarily allocates client investment assets primarily among various mutual funds, exchange traded funds, bonds and separately managed accounts on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s). Each type of security has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with investing in these types of securities:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services,

so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

## **Item 9            Disciplinary Information**

FJY has not been the subject of any disciplinary actions.

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

- A. Neither FJY, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither FJY, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agents.** Although not material to FJY's business, a few of FJY's IARs are licensed insurance agents in a separate and individual capacity. These IARs do not hold themselves out to the public in this capacity.
- D. FJY does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. FJY maintains an investment policy relative to personal securities transactions. This investment policy is part of FJY's overall Code of Ethics, which serves to establish a

standard of business conduct for all of FJY's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, FJY also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by FJY or any person associated with FJY.

- B. Neither FJY nor any related person of FJY recommends, buys, or sells for client accounts, securities in which FJY or any related person of FJY has a material financial interest.
- C. FJY and/or representatives of FJY *may* buy or sell securities that are also recommended to clients. This practice may create a situation where FJY and/or representatives of FJY are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if FJY did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of FJY's clients) and other potentially abusive practices.

FJY has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of FJY's "Access Persons". FJY's securities transaction policy requires that Access Persons of FJY must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date FJY selects; provided, however that at any time that FJY has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. FJY and/or representatives of FJY *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where FJY and/or representatives of FJY are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, FJY has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of FJY's Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that FJY recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct FJY to use a specific broker-dealer/custodian), FJY generally recommends that investment management accounts be maintained at *Schwab*, *Fidelity* and/or *TIAA-CREF* (the "*Custodians*"). Prior to engaging FJY to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with FJY setting forth the terms and conditions under which FJY shall manage the client's assets,

and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that FJY considers in recommending the *Custodians* (or any other broker-dealer/custodian to clients) include historical relationship with FJY, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by FJY's clients shall comply with FJY's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where FJY determines, in good faith, that the commission/transaction fee is reasonable. 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, although FJY will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, FJY's investment management fee. FJY's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, FJY receives from the *Custodians* (or a another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor), without cost (and/or at a discount) support services and/or products, certain of which assist FJY to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by FJY may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by FJY in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist FJY in managing and administering client accounts. Others do not directly provide such assistance, but rather assist FJY to manage and further develop its business enterprise.

FJY's clients do not pay more for investment transactions effected and/or assets maintained at the *Custodians* as result of this arrangement. There is no corresponding commitment made by FJY to the *Custodians* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the above**

**arrangement and any corresponding conflict of interest any such arrangement may create.**

2. FJY does not receive referrals from broker-dealers.
3. FJY does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and FJY will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by FJY. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs FJY to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through FJY. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that FJY provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless FJY decides to purchase or sell the same securities for several clients at approximately the same time. FJY may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among FJY's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. FJY shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom FJY provides investment supervisory services, account reviews are conducted on an ongoing basis by FJY's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise FJY of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with FJY on an annual basis.

- B. FJY may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. FJY may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, FJY receives an economic benefit from the *Custodians*. FJY, without cost (and/or at a discount), receives support services and/or products from the *Custodians*.

FJY's clients do not pay more for investment transactions effected and/or assets maintained at the *Custodians* as result of this arrangement. There is no corresponding commitment made by FJY to the *Custodians* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest any such arrangement may create.**

- B. FJY investment adviser representatives ("IAR") may receive additional compensation or a business development incentive based on the amount of revenue earned on the assets the IAR manages. The compensation may range between 10% - 40% of revenue earned every 6 months. This compensation arrangement presents a conflict of interest because IARs are incentivized to allocate client assets into investments that yield higher revenues. At all times, IARs will act in the best interests of the client.
- C. FJY does not compensate, directly or indirectly, any person other than its supervised persons for client referrals.

#### **Item 15      Custody**

FJY shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. FJY may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that FJY provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by FJY with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of FJY's advisory fee calculation.



**Please Also Note: Custody Situations:** FJY engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

**FJY's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16 Investment Discretion**

The client can engage FJY to provide investment advisory services on a discretionary basis. Prior to FJY assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming FJY as the client's attorney and agent in fact, granting FJY full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage FJY on a discretionary basis may, at any time, impose restrictions, **in writing**, on FJY's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe FJY's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. FJY does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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. FJY and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact FJY to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. FJY does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. FJY is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. FJY has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: FJY's Chief Compliance Officer, Larry Adams, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**