

# Jerry J Davis CPA PC

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A State of Oregon Registered Investment Adviser

## Form ADV Part 2

January 8, 2018

700 N Main Ave.  
Gresham, OR 97030  
503-665-0173  
[www.jjdcpa.com](http://www.jjdcpa.com)

This brochure provides information about the qualifications and business practices of Jerry J Davis, CPA PC. If you have any questions about the contents of this brochure, please contact us at 503-665-0173 or [JerryD@DavisGraves.com](mailto:JerryD@DavisGraves.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. While the firm and its personnel are registered with the State of Oregon, it does not imply a certain level of skill or training on the part of the firm or its personnel.

Additional information about Jerry J Davis CPA PC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 150939.

## Item 2 - Material Changes

January 8, 2018

- Item 4 – Update assets under management amounts
- Item 5 – Hourly fees - updated current hourly rates
- Item 5 – Investment Management Services – updated minimum
- Item 10 – Ownership change in related company Davis & Graves CPA LLP
- Item 12 – Updated brokerage practice firm to TD Ameritrade Institutional

November 20, 2015

- Section names changed to chronological Items
- Item 6 - Updated language clarifying no performance based fees.
- Item 15 – Removed client access information.
- Item 16 – Added investment discretion information.

November 11, 2015

- Table of Contents – Added Item 1, Item2, Item 3.
- Item 4 – Updated assets under management amount.
- Item 5
  - Added how asset under management fees are paid.
  - Added refund provision for pre-paid fees assets under management fees.
- Part 2 Appendix 2 – Advisory Personnel – added definitions for CPA and PFS

November 5, 2015

Revision of fee arrangements,

October 20, 2014

Revision of fee arrangements.

January 24, 2013

Revision of fee arrangements adding services for Investment Management.

January 1, 2011

Pursuant to SEC Release IA-3060, the firm has amended the format of its advisory brochure since its previous version of Form ADV Part II dated August 10, 2010 the disclosure information set forth in this brochure has generally remained the same

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## **Item 4 – Advisory Business**

Jerry J Davis CPA PC was organized in 1989 and has been registered with State of Oregon as a Registered Investment Adviser firm since 2009. Jerry Davis, CPA/PFS is the 100% owner and stockholder of the firm.

We provide Fee-Only, financial planning and investment advice services to individuals and businesses. These services may be general in nature or focused on a particular area of interest or need, depending on the circumstances. As of January 2018, the firm has \$11,200,000 in assets under management of which \$7,400,000 are enrolled in active management.

An estimated 60% of our activities involve providing investment advice, which may include advice on asset allocation and investment selection, and an estimated 40% of our activities involve providing financial advice, which may include advice on income and expense planning, tax planning, insurance planning, estate planning, retirement planning and education planning.

Regarding the investment advice process, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. Then, we recommend a proper asset allocation based on the client's personal financial situation. Then, we recommend specific investments to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing at least annually and/or making adjustments as needed. The engagement is concluded upon completion of these recommendations. The client may re-engage us as needed. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews.

Regarding the financial advice process, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. Then, we analyze the client's current financial situation and possible future scenarios, when appropriate. Next, we present a summary of significant observations, assumptions and recommendations in each area we were engaged to provide advice. The engagement is concluded upon completion of this presentation. The client may re-engage us as needed. Periodic financial reviews are recommended and it is the client's responsibility to initiate these reviews.

## **Item 5 – Fees and Compensation**

Jerry J Davis CPA PC charges fees on a Fee-Only basis. Fees are calculated based as Hourly Fees or Investment Management as described below. Clients may incur fees under either or both fee structures.

### **Hourly Fees**

Hourly fees for financial planning and investment advice services range from \$60 to \$350 per hour depending on the complexity of the case and the staff member providing the services. We may also charge fixed fees that are based on our hourly rate multiplied by the approximate number of hours that are anticipated to provide the requested service. Projects spanning more than three months may be billed quarterly. Hourly fees are billed in six (6) minute increments.

We may require a deposit for engagements in the amount of the lesser of \$500 or half of the total estimated fee. The balance of fees due is payable immediately upon presentation of the advice to the client. Fees will not be collected for services to be performed more than six months in advance and in excess of \$500. For each engagement, proposed services and an estimated fee range are detailed in the written service agreement. Either party may terminate an engagement upon written notice within five days of signing the service agreement, at which time no fees are due. If the client terminates the engagement after this date, the client is responsible for any fees already incurred.

## **Investment Management Services**

Investment management fees are charged on a quarterly basis at the end of each quarter (in arrears). The fee will be calculated based on the market value of the account at the last trading day of the previous quarter. The annual fee will range from 0.75% to 1.25% ranging on the complexity of the investments. The minimum quarterly fee is \$200.00 for one account and \$25 per each additional account managed. These fees may be deducted from the client's investment account or billed and paid separately depending on the client agreement. Upon termination of services, any prepaid fees will be refunded based on pro-rata basis of days remaining in the billing quarter.

Clients requesting investment management services will have at a minimum an asset allocation study prepared by Jerry J Davis CPA PC. A comprehensive financial plan is recommended but not required. Fees for these plans are calculated per Hourly Fees as outlined above.

Clients will be required to have quarterly meetings to review performance and asset allocation. These meetings can be by phone, email or in person. These meetings are included in the investment management fees.

Annually clients' will be required to have a meeting to review their asset allocation plan and discuss changes in their financial plan. Fees for these meetings will be charged per Hourly Fees as outlined above. Clients will receive a discount of these fees of 10% of the Investment Management Fees up to the cost of the review fees. The review fees for this service can be waived at the sole discretion of Jerry J Davis CPA PC. It is expected that clients with assets under \$750,000 will pay a fee for these meetings.

In connection with using our services, the client may also incur separate fees and expenses that are charged by mutual funds and/or exchange traded funds (ETFs). We recommend that the client review the investment prospectus for a complete explanation of these fees and expenses. In addition, the client may also incur separate transaction costs or administration fees from brokerage firms. We recommend that the client obtain a complete schedule of fees from their brokerage firm. We do not receive any portion of these other fees. We do not receive commissions or third-party payments of any kind. The only compensation we receive is in the form of fees paid directly by the client.

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

Jerry J Davis CPA PC does not charge fees based on a share of capital appreciation of the funds of an advisory contract, also known as performance-based fees.

Our fees will also will not be based on side-by-side management, which refers to a firm simultaneously managing accounts that do pay performance-based fees (such as hedge fund) and those that do not.

## **Item 7 – Types of Clients**

Jerry J Davis CPA PC provides its services to individuals, small businesses, estates, trusts, charitable organizations, employment plans, and corporations. We do not require minimums as to income, assets, net worth, length of engagement, revenues generated or other conditions for engaging our services.

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

If Jerry J Davis CPA PC is engaged to provide investment advice, first, we gather information about the client's personal financial situation and then conduct a meeting with the client to clarify the client's personal financial information and determine the client's specific needs, objectives, goals and tolerance for risk. We employ a fundamental, long-term, buy-and-hold philosophy in regards to investment advice. We favor a passive approach to investing. Then, we recommend a proper asset allocation based on the client's personal financial situation. We make asset allocation and investment policy decisions using our best judgment to help the client achieve their overall financial objectives and

goals while minimizing risk exposure. We believe that the appropriate allocation of assets across diverse investment categories (i.e. stock vs. bond, foreign vs. domestic, large cap. vs. small cap., high quality vs. high yield, etc.) is the primary determinant of portfolio returns and is critical to the long-term success of a client's financial objectives and goals. Then, we recommend specific investments, primarily low-cost, no-load, index investments, to fill out the recommended asset allocation. Next, we recommend that the portfolio be maintained by rebalancing at least annually and/or making adjustments as needed.

While we believe our investment strategy is designed to potentially produce the highest possible return for a given level of risk, it cannot guarantee that an investment objective or goal will be achieved. Some investment decisions made by us may result in loss, which may include the original principal amount invested. The client must be able to bear the various risks involved in investing, which may include market risk, liquidity risk, interest rate risk, currency risk or political risk, among others.

Low-cost, no-load, index investments have the potential to be affected by tracking error risk, which is defined as a deviation from the stated benchmark index.

### **Item 9 – Disciplinary Information**

Neither Jerry J Davis CPA PC nor any of its personnel have been the subject of a reportable legal or disciplinary event.

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

The firm, Jerry J Davis CPA PC is also licensed by the Board of Accountancy in the State of Oregon. Jerry J Davis, CPA/PFS is individually licensed as a CPA with the Oregon Board of Accountancy and has obtained the Personal Financial Specialist (PFS) designation from the AICPA.

Jerry J Davis CPA/PFS is a member of the Garrett Planning Network (Garrett), an organization that assists financial planners in fee-only financial planning practices. Garrett is not a registered financial industry participant, nor do its activities require it to be. Jerry J Davis CPA PC pays an annual membership fee to Garrett for extensive services that include training, compliance and operational support to enhance our ability to provide quality service and advice to our clients.

Certified Public Accountants (CPAs) are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination.

In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own.

The Personal Financial Specialist (PFS®) credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an

unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the American Institute of Certified Public Accountants (AICPA). A PFS credential holder is required to adhere to AICPA's Code of Professional Conduct, and is encouraged to follow AICPA's Statement on Responsibilities in Financial Planning Practice. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

Jerry J Davis CPA/PFS has a 33 1/3% interest in Davis & Graves CPA LLP, a full service CPA firm licensed by the Board of Accountancy in the State of Oregon. Clients of Jerry J Davis CPA PC seeking financial advice may also be clients of Davis & Graves CPA LLP.

Neither Jerry J Davis CPA PC nor any of its personnel are affiliated with or maintain a material relationship with another financial industry entity. Our policies require that we conduct business activities in a manner that avoids actual or potential conflicts of interest between the firm, personnel and the client, or that may otherwise be contrary to law. We will provide disclosure to the client, prior to and throughout the term of an engagement, of any conflicts of interest which will or may reasonably compromise our impartiality or independence.

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

Jerry J Davis CPA PC has adopted a code of ethics that sets forth the basic policies of ethical conduct for all associated persons of the firm. We accept the obligation not only to comply with the mandates and requirements of all applicable laws and regulation, but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. We will be happy to provide a copy of our code of ethics to any client or prospective client, upon request.

Neither Jerry J Davis CPA PC nor any of its personnel are authorized to recommend or effect a transaction for a client involving any security in which the firm or a related party has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc. Additionally, we are prohibited from borrowing from or lending to a client, unless that client is an approved financial institution or is an immediate family member. In such instances, authorization for the loan must be granted in advance and documented in writing.

At times personnel and related parties may hold positions in investments that are also recommended to the client. We may make recommendations or take actions with respect to investments that may differ in the nature or timing from recommendations made to, or actions taken for, other clients or personnel. However, at no time will the personnel or any related party receive preferential treatment over the client.

### **Item 12 – Brokerage Practices**

If we are engaged to provide investment advice, we will offer to use the service provider with whom the client's assets are currently maintained. If the client prefers to use a new service provider, we will recommend one based on the need, overall cost and ease of use for the client.

Jerry J Davis CPA PC is affiliated with TD Ameritrade Institutional. Jerry J Davis CPA PC does not receive any compensation from TD Ameritrade Institutional.

Our policy is to restrict any non-cash compensation, or soft dollars, that we may receive from a service provider to only that which enhances our ability to render quality advice and service to the client. Although we may recommend one or more service providers to the client, we derive no special benefit from doing so, nor do we "pay up" to receive additional services.

The only compensation we receive is in the form of fees paid directly by the client. Therefore, we do not receive any additional compensation when the client engages a recommended brokerage firm or other service provider.

We do not require or engage in directed brokerage involving our accounts, although we make recommendations. We recognize our obligation in seeking “best execution” for our clients; however, it is our belief that the determinative factor is not always the lowest possible cost, but whether the selected service provider’s transactions represent the best qualitative execution while also taking into consideration the full range of services provided. Therefore, we will seek services involving competitive rates, but that may not correlate to the lowest possible rate for every transaction. We periodically review our policies regarding recommending service providers, in light of our duty to seek “best execution”.

## **Item 13 – Review of Accounts**

### **Hourly Fees**

Jerry J Davis CPA PC does not provide continuous monitoring of its financial planning and investment advice services. Periodic reviews are recommended and it is the client's responsibility to initiate these reviews. We remind the client to notify us of any changes to their personal financial situation.

### **Investment Management Services**

All clients' assets are held by independent third-party custodians. Jerry J Davis CPA PC monitors accounts on a regular basis and recommends changes based on client's asset allocation model. Clients receive regular monthly statements and are responsible for reviewing those statements for accuracy.

Clients will meet with Jerry J Davis CPA PC staff at least semi-annually to review performance of the accounts and review asset allocation. Annually clients' will be required to have a meeting to review their asset allocation plan and discuss changes in their financial plan. These meetings can be by phone, email or in person.

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

Jerry J Davis CPA PC does not receive, nor does it pay, any fees for client referrals.

## **Item 15 – Custody**

Jerry J Davis CPA PC does not take custody of client cash, bank accounts or securities. The client's cash, bank accounts and securities will be maintained by unaffiliated, qualified custodians, such as banks, brokerage firms, mutual fund companies and transfer agents. The client will receive account statements directly from their service provider. These statements are typically provided on a monthly or quarterly basis or as account transactions occur.

Firm personnel will not act as trustee for, or have full power of attorney over, a client account, unless as a trustee of an immediate or incompetent family member.

## **Item 16 – Investment Discretion**

For clients than engage Jerry J Davis CPA PC in Investment Management Services, those services are most often provided via a discretionary account agreement. Similar to a limited power of attorney, discretionary authority allows us to implement investment decisions, such as buys or sells of securities on behalf of an account without prior client authorization in order to meet the account objectives. Note that your custodian will specifically limit our firm's authority within your account to the placement of trade orders and the request for the deduction of our advisory fees.

For clients who do not engage Jerry J Davis CPA PC in Investment Management Services, these services will be provided on a non-discretionary basis, there by requiring client approval prior to execution of any and all transactions.

### **Item 17 – Voting Client Securities**

Jerry J Davis CPA PC does not vote client securities. The client will maintain responsibility for directing the manner in which proxies are voted, as well as all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the client’s investments. The client will receive their proxies and other solicitations directly from the custodian or transfer agent for their investments.

### **Item 18 – Financial Information**

Due to the nature of our services, an audited balance sheet is not required, nor included in this disclosure document. Jerry J Davis CPA PC does not have any financial conditions that require further disclosure.

### **Item 19 – Requirements for State-Registered Advisors**

Jerry J Davis CPA PC is registered with the State of Oregon.

# Jerry J Davis CPA PC

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A State of Oregon Registered Investment Adviser

## **Part 2A Appendix 1 – Wrap Fee Program Brochure (Not Applicable)**

January 8, 2018

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**Part 2A Appendix 1 – Wrap Fee Program Brochure (Not Applicable)**

Jerry J Davis CPA PC does not sponsor a wrap fee program, so issues related to a wrap fee program are not applicable.

# Jerry J Davis CPA PC

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A State of Oregon Registered Investment Adviser

## Part 2B – Brochure Supplement - Advisory Personnel

January 8, 2018

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## Part 2B Appendix 2 – Advisory Personnel

### Jerry J Davis CPA/PFS

**Title:** President/CEO

**Education:**

Bachelor of Science, Business Administration – Oregon State University 1978

**Experience:**

CPA licensed in State of Oregon 1980 - Current

**Disciplinary Information**

Neither Jerry J Davis CPA PC nor any of its personnel have been the subject of a reportable legal or disciplinary event.

**Other Business Activities**

Jerry J Davis CPA/PFS is also a 33 1/3% owner in the CPA firm Davis & Graves CPA LLP.

Jerry Davis CPA/PFS is also a member of the Garrett Planning Network, an international network of independent, Fee-Only financial advisors.

The above mentioned other business activities do not present material conflicts of interest for the financial planning and investment advice services that are provided by Jerry as the Principal of Jerry J Davis CPA PC.

**Additional Compensation**

Neither Jerry J Davis CPA PC nor any of its personnel accept or receive additional economic benefit (i.e. sales awards or other prizes) for providing advisory services to clients.

**Supervision**

Jerry Davis CPA/PFS serves in multiple capacities for Jerry J Davis CPA PC: CEO, Principal, Financial Planner and Investment Adviser Representative (IAR). We recognize that the lack of segregation of duties may potentially create conflicts of interest. However, we employ policies and procedures to ensure timely and accurate recordkeeping and supervision, including outsourcing certain functions to qualified entities to assist in these efforts when necessary.

**Certified Public Accountant – CPA**

The CPA designation is issued to individuals who have passed a CPA Exam and completed experience requirements outlined by one of 50 states. The CPA license is renewed based on state requirements including required continuing education. Jerry J Davis CPA/PFS license is issued by the State of Oregon.

**Personal Financial Specialist – PFS**

A Personal Financial Specialist (PFS) is a Certified Public Accountant (CPA) who meets the financial planning requirements established by the American Institute of Certified Public Accountants (AICPA).

The Personal Financial Specialist (PFS) program allows CPAs to gain and demonstrate competence and confidence in providing estate, tax, retirement, risk management and/or investment planning advice to individuals, families and business owners through experience, education, examination, and a resulting credential.

Questions about Jerry J Davis CPA PC, its personnel, its services or this document may be posed to Jerry Davis at 503-665-0173 or [JerryD@DavisGraves.com](mailto:JerryD@DavisGraves.com)