

## Item 1: Cover Page

### Joseph Capital Management, LLC

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This brochure was last updated on August 17, 2011. This brochure was filed again on September 8, 2011, to correct a clerical error in order to accurately include the firm's SEC file no. as 801-68145.

This brochure provides information about the qualifications and business practices of Joseph Capital Management, LLC (also sometimes referred to in various literatures as "Joseph Capital" or "Joseph"). If you have any questions about the contents of this brochure, please contact Sally Long, Chief Compliance Officer, who is responsible for Joseph Capital Management, LLC's regulatory requirements, at 352-746-4460.

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 with the SEC and other state securities authorities as a registered investment adviser does not imply a certain level of skill or training.

Additional information about Joseph Capital Management, LLC 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. The CRD number for Joseph Capital Management, LLC is 116156.

**Item 2: Summary of Material Changes**

In this “Summary of Material Changes”, we discuss only the material changes since the last annual updates of this Brochure, which occurred on August 17, 2011:

- (1) We corrected a clerical error in order to accurately include the firm’s SEC file no. as 801-68145.

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## Item 4: Advisory Business

### Summary: About Joseph Capital Management, LLC

Joseph Capital Management, LLC (“Joseph Capital”) was formed in late 2001 by certified public accountants and an estate planning and tax attorney who desired their clients to receive truly objective investment advice. In recent years, the principals of Joseph Capital have devoted the vast majority of their business efforts towards the goal of construction of a world-class investment advisory firm, dedicated to the fiduciary principle that the client’s best interests should remain paramount at all times.

Joseph Capital Management, LLC provides financial planning and investment advisory services to select individual clients, as well as trusts, qualified retirement plan sponsors, and business entities. We are in our tenth year of operation. We are a fee-only firm, and we adhere to a Fiduciary Oath for each of our clients to act in their best interests at all times.

We utilize a multi-disciplinary approach to addressing clients’ financial, tax, estate, and risk management planning needs. Our team includes attorneys, certified public accountants, Certified Financial Planners™, a former trust officer, and a former professor of economics. With the consent of our clients, we often consult with our clients’ other professional advisors as planning recommendations are formulated and/or implemented. For more information on our advisory team members, please refer to the biography of each advisor, found in Part 2B.

With regard to our investment philosophy, we believe that our clients are best served, in the context of conservative investment portfolios, to tilt their portfolios toward small capitalization and value stocks, using broad diversification. This often permits a lowering of the client’s overall allocation to equities, should the client so choose, which in turn increases the allocation of a client’s portfolio toward short-term and mid-term fixed income investments of generally high quality. Our research has shown that this usually results in a “smoother ride” for our clients, with likely similar long-term (15-years or longer) portfolio returns.

Joseph Capital Management, LLC generally recommends institutional-class stock mutual funds with low annual expense ratios and extremely low internal transaction costs. At times, we may recommend other low-cost investment solutions, such as low cost bond funds, individual fixed income securities, and other products. While model portfolios may be utilized for some of our clients, our advisory services are generally tailored to meet the individual needs of our clients. For more on our investment philosophies, and the risks of our strategies and/or specific investments recommended, please refer to Item 8.

We actively seek to avoid or minimize potential conflicts of interest which may exist between our firm and our clients. We sell no products. We accept no commissions. We do not

recommend any fund which possesses a 12b-1 fee. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, Joseph Capital Management, LLC has adopted policies which seek to keep our clients' best interests paramount at all times. Please refer to Items 5, 11, and 12 of this Brochure, and other items, which explore in further detail how we act to keep our clients' best interests first at all times during the course of the relationship with our clients.

More information regarding our firm is found in the pages that follow. Additional information, including brochures, white papers, articles, and newsletters prepared by our firm's financial advisors, as well as "Frequently Asked Questions," can be found at [www.JosephCapital.com](http://www.JosephCapital.com).

### **Our Principal Owners**

The owners of Joseph Capital are John J. Ceparano, Michael J. Tringali, and Ron A. Rhoades. The major decisions of a strategic and administrative nature for the firm are undertaken by Joseph Capital's Executive Committee, which consists of our three owners, Mary Ann Ceparano, and Sally Long.

### **Amount of Assets under Advisement**

As of December 31, 2010, Joseph Capital provided advice (either as primary advisor or sub-advisor) on approximately \$161,300,000 of financial assets for approximately 145 family groups. These include all financial assets of clients who engage Joseph Capital for ongoing advice on their investment portfolios, which Joseph Capital believes is continuous and regular in nature. Of these assets under advisement, approximately \$139,500,000 is managed on a discretionary basis and \$21,800,000 are managed on a non-discretionary basis.

### **Non-Participation in Wrap Fee Programs**

Joseph Capital, as a matter of policy and practice, does not sponsor any wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

### **Advisory Programs (Types of Services) Offered**

Joseph Capital offers three programs for new individual clients of the firm:

1. The Joseph Wealth Planning Program™
2. The Joseph Investment Program™
3. The Joseph Counsel Program™

Each of these programs is described in further detail in Item 5 (“Fees and Compensation”) of this Brochure.

Joseph Capital provides certain financial planning services as part of the Joseph Wealth Planning Program™ and Joseph Investment Program™. Joseph Capital may also provide certain financial planning services as part of the Joseph Counsel Program™, as specified in the master client services agreement for each client. Each of these programs is further detailed in Item 5 of this Brochure.

### **Our Services are tailored to meet Client Needs and Any Imposed Investment Restrictions**

In general, Joseph Capital’s advisory services are tailored to meet the needs of each individual client. While model portfolios may be utilized for some clients, for most clients each investment portfolio is individually designed. Additionally, financial planning, estate planning, tax planning, and risk management planning services are generally delivered upon client engagement for such services, with planning issues prioritized and then addressed, either all at one time or over the course of several conferences. As appropriate to each program (except the Joseph Counsel Program), clients have a conference with their advisor at least annually (and sometimes more often) to review any changes to the client’s financial situation, the investment portfolio upon which advice is provided, and planning issues.

Joseph Capital will evaluate all publicly traded investments, but primarily recommends to its clients institutional-style and no-load mutual funds and other low-cost investment vehicles, and for some clients municipal notes and bonds and other fixed income securities. Joseph Capital also considers, in providing advice to clients, investments held in 401(k), 403(b), or other qualified retirement plan accounts, as well as nonqualified annuities; Joseph Capital may evaluate the offerings of such retirement plans and annuities when constructing an overall investment portfolio for the client.

After consultation with their adviser, clients may impose restrictions on investing in certain securities or types of securities. This most often occurs when clients request certain social investing needs be addressed, such as through the use of mutual funds which avoid investments in certain companies. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments.

### **Our Policies on Class Actions, Bankruptcies, and Other Legal Proceedings**

Clients should note that Joseph Capital will generally not advise upon, nor act on behalf of, the client in legal proceedings involving companies whose securities are held or previously were held in the client’s account(s), including, but not limited to, the filing of “Proofs of Claim” in



class action settlements. If desired, clients may direct Joseph Capital to transmit copies of class action notices to the client or a third party. Upon such direction, Joseph Capital will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 5: Fees and Compensation

Joseph Capital offers three programs to new clients of the firm: the Joseph Wealth Planning Program™, the Joseph Investment Program™, and the Joseph Counsel Program™. Joseph Capital may also have clients assigned under one of its previous program offerings.

### The Joseph Wealth Planning Program™

The Joseph Wealth Planning Program™ is Joseph's core service offering and provides services as outlined in the program's Master Client Services Agreement. This agreement is provided to a prospective client, along with the client's Investment Plan, for his/her review before the contract is signed. There is a minimum level of assets under advisement of \$400,000 for clients to be eligible to participate in the Joseph Wealth Planning Program™.

Generally, the Joseph Wealth Planning Program™ provides the following services:

- a. Our Ongoing Scholarly Research and Analysis.** Our continuing study of macroeconomic conditions, our historical analysis of capital markets with a view toward estimating long-term returns of certain asset classes, our scholarly research with regard to the deployment of capital in ways to reduce various risks, our knowledge of the taxation of investments, our reviews of specific investment products, and our insights into other matters affecting client's investments and financial planning.
- b. Development of Investment Plan and Investment Policy Statement.** We will prepare for the client an Investment Policy Statement (also called an "Investment Plan") which includes a review of the client's current investment assets, an educational overview of the academic research applied in the construction and management of the client's investment portfolio, and a customized strategic asset allocation. This Investment Policy Statement may thereafter be amended from time to time if and when the client's circumstances change.
- c. Initial Implementation of Investment Plan,** including assistance with account transfers and all trades or other transactions to be undertaken.
- d. Quarterly Reports from Joseph Capital Management, LLC,** which shall include a consolidated inventory of the investments upon which we provide advice to the client, together with a portfolio rebalancing analysis. Such reports may also include a performance report for the client's portfolio. In addition, in January or February of each calendar year, we provide the client with a realized gains and loss report for any taxable account the client possesses, to aid the client or his/her CPA/accountant/tax preparer in income tax preparation.

- e. **Online Access to Account Information.** Utilizing a combination of secure online account aggregation and online data reporting services, we will endeavor to make certain reports available to the client online each business day, with updated account values (for assets held at TD Ameritrade Institutional or Fidelity Institutional) as of the preceding day usually supplied by 11:00 a.m. each day. We may offer periodic data for other investment accounts upon which we provide advice, not held at the foregoing custodians, if such information can be obtained from our account aggregation service, with the client's consent to furnish such account aggregation service with any account passwords required to access account information.
- f. **Monthly or Quarterly Statements Directly from Account Custodians.** In addition, the client shall receive directly from all corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies that hold the client's investments, monthly or quarterly statements reflecting the client's investment(s) in their custody, together with (if desired by the client) confirmations of each transaction executed in the account(s). For some custodians, the client may elect to receive such monthly or quarterly statements and trade confirmations by e-mail, rather than by U.S. mail.
- g. **Periodic Conferences and/or Telephone Conferences; Financial Life Planning.** We suggest that we confer with clients (either in-person, via web conferencing, or via telephone, as we shall mutually agree) on a periodic basis to review various financial, tax, estate, asset protection, and risk management issues.
- h. **Frequency of Formal Reviews.** Client review conferences are scheduled semi-annually for clients and typically last one to three hours in length.
- i. **Additional Informal Conferences and Telephone Conferences** may be requested by the client from time to time, for no additional charge. Should, however, we believe that the time and expertise required to provide services to the client have become too great, relative to the fees paid by the client, we may suggest (in advance of providing services) either that additional fees be paid or that our agreement for services be terminated.
- j. **Planning Topics which may be discussed during Formal Reviews.** Set forth below are the planning topics which may be discussed during scheduled conferences and telephone conferences. Only such topics as the client and his/her advisory team deem pertinent are discussed at formal review conferences. Note that some advice upon some planning topics may be restricted due to licensure and/or legal requirements, and referral to the appropriate professional on such topics may be undertaken if desired.

- (1) Development and subsequent reviews of Joseph's "Total Client Profile", including the client's personal financial situation and goals;

- (2) Development of Action Steps for investment strategy implementation;
- (3) Obtain Cost Basis of securities held in taxable accounts from client;
- (4) Evaluate 401(k), 403(b) and Other Employer-Sponsored Retirement Plan Investment Options, provide recommendations to client, and integrate with other portfolio holdings;
- (5) Security Evaluation: Hold, Buy, or Sell;
- (6) Annuity Contract Reviews for variable annuity (VA) and equity/fixed income (EIA) policies;
- (7) Single stock exposure / strategy formulation to deal with exposure to concentrated positions in publicly traded stock;
- (8) Cash Reserve Account assessment and recommendations;
- (9) Cash Flow Management, Debt Reduction Strategies, and Major Financial Purchases or Sales;
- (10) Funding of Retirement Accounts, including consideration of optimum funding and possible conversion opportunities;
- (11) Retirement Account Distribution Planning for qualified retirement plan accounts and traditional IRAs;
- (12) Stock Options – advice upon the exercise or non-exercise of qualified and nonqualified stock options;
- (13) Tax Loss Harvesting, when available and appropriate;
- (14) Retirement Portfolio Withdrawal Rate establishment and/or review;
- (15) “PensionMax” Analysis as to whether to take a lump-sum at retirement or one of various annuitization options;
- (16) Recommendations on other Employer-Sponsored Benefit Programs;
- (17) College Expense Funding solutions;
- (18) Capital Needs Assessment for retirement or other future needs;
- (19) Property and Liability Insurance reviews and recommendations;
- (20) Life Insurance and Long Term Care Insurances needs assessment and policy reviews;
- (21) Estate Planning needs discussion and referral to appropriate legal counsel, if desired;

- (22) Asset Protection Planning discussion as to potential future claims of general creditors and, when appropriate, referral to legal counsel;
- (23) Philanthropic Gift Strategies;
- (24) Charitable Gifting Strategies;
- (25) Investment Policy Statement development, implementation, and reviews;
- (26) Investment Strategy and Products Discussion; and
- (27) Closely Held Business and Professional Firm Consulting.

**Note:** Additional fees may be charged by Joseph Capital, as specified in the Master Client Services Agreement, should the scope of projects under the above planning topics exceed the general and reasonable scope expected for each planning topic. (For example, extensive research, analysis, and recommendations relating to tax planning, cost basis research, the review of annuity contracts, and/or insurance needs analysis.) Additional fees charged by Joseph Capital shall be agreed upon with the client in writing in a separate written fee agreement.

**Our Fees.** Joseph Capital's annual fee for the services set forth in the Joseph Wealth Planning Program™ is billed as a percentage of the assets under advisement, according to the market value of the investments, according to the schedule below. Fees are paid in quarterly installments, in advance.

Assets Under Advisement	Annual Fees** (Paid in Quarterly Installments***)
\$ 400,000 to \$ 1,000,000	\$ 5,200 <u>plus</u> 0.8% of Assets under Advisement over \$400,000
\$ 1,000,000 to \$ 3,000,000	\$ 10,000 <u>plus</u> 0.8% of the Assets Under Advisement over \$1,000,000
\$ 3,000,000 to \$ 5,000,000	\$ 26,000 <u>plus</u> 0.6% of the Assets Under Advisement over \$3,000,000
Over \$ 5,000,000	\$ 38,000 <u>plus</u> 0.4% of the Assets Under Advisement over \$5,000,000

\*\*Additional fees may be charged for specific planning-related activities. Additionally, referrals to other professionals may be undertaken where appropriate to meet the client's needs. See below for further information.

\*\*\*The first period for which fees are to be billed varies from three to six months.

**How Fees are Calculated.** Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter (or, for new clients, upon a date agreed to by Joseph Capital and the client). Valuations are derived from recognized and independent pricing sources, such as TD Ameritrade Institutional, Fidelity Institutional, or other custodians.

**Minimum and Maximum Fees.** The minimum fee charged under The Joseph Wealth Planning Program are \$5,200 per year. There is no maximum fee.

**When Fees are Paid.** Fees are billed and paid quarterly, in advance of the quarter, and are based upon the values of the financial assets upon which advice is provided as of the end of the preceding quarter.

**How Fees are Paid.** Fees may be deducted from clients' account(s) or paid directly by check by the client following receipt of a statement, or some combination of the foregoing, as the client desires.

**Formation of Wealth Management Team.** If the client possesses \$3,000,000 or greater in assets under advisement with Joseph Capital, and if such is desired, Joseph Capital will seek to conduct an annual or bi-annual "Wealth Management Team" conference and/or web conference and/or teleconference with the client's private legal counsel and/or certified public accountant, for purposes of providing holistic, integrated planning needs identification, analysis, prioritization, and coordination. In such instance, the fees of the client's other professional advisors are generally billed directly to the client, and paid by the client. Additional fees may be charged by Joseph Capital for certain planning addressed in such Wealth Management Team conferences or in follow-up activities.

**Additional Fees Charged for Separate Services.** On occasion Joseph Capital may charge clients with additional fees for the following projects. Joseph Capital's team member's time is then billed at our *hourly rates* for such team members, which rates are set forth below (*unless Joseph Capital and Client agree to a flat fee for such additional services*). Joseph Capital may require a separate written agreement for these additional services, separate from this Master Agreement.

- (1) In-depth, detailed analysis as to one or more of the planning topics provided under The Joseph Wealth Planning Program™ as discussed and agreed upon between Client and Joseph Capital.
- (2) Cost Basis Determinations.

- (3) Variable Annuity (VA) and Equity/Fixed Index Annuity (EIA/FIA) and Variable Life Insurance (VUL) Reviews.
- (4) Personal Income Tax Projections. Should a tax projection be advisable, and should such not be undertaken by Client's CPA or tax preparer, Joseph may undertake same for the Client.
- (5) Estate Plan Design Involving Business Entities and Discount Valuation Techniques. Should the possess closely held business entities, additional fees may be charged relating to transfer tax planning involving the establishment, recapitalization, ownership structure changes, and/or sale or gifting of such interests. Additional fees may also be charged for planning involving the use of split-interest or discount valuation techniques in connection with estate tax planning, such as CRATs, CRUTs, GRATs, QPRTs, FLPs, etc.
- (6) Closely Held Business Consulting. Should Client desire advice with regard to the structure, operations, financial controls and reporting, marketing, and/or risk management needs of any closely held business interests, wealth transfer and/or business succession planning, and/or the utilization of captive insurance companies for premium reduction and/or estate tax planning, Advisor may charge additional fees.

If the foregoing professional services are undertaken on an hourly basis, Joseph Capital Management, LLC's hourly rates for 2011 are set forth below. These fees may change from time to time.

Directors & Private Wealth Managers	\$350 to \$500 per hour
Private Wealth Advisors:	\$ 175 per hour
Account Transfers Coordinators:	\$ 95 per hour
Other Administrative Assistants:	\$ 50 per hour

## The Joseph Investment Program™

The Joseph Investment Program™ is provided to clients with \$400,000 or less of assets under advisement and who desire ongoing investment management services.

The Joseph Investment Program™ provides the following services:

- a. **Our Ongoing Scholarly Research and Analysis.** Our continuing study of macroeconomic conditions, the historical analysis of capital markets with a view toward estimating long-term returns of certain asset classes, scholarly research with regard to the deployment of capital in ways to reduce various risks relative to historical returns, the taxation of investments, review of specific investment products, and other matters affecting client's investments and financial planning.
- b. **Development of Investment Plan and Investment Policy Statement.** We will prepare for the client an Investment Policy Statement (also called an "Investment Plan") which includes a review of the client's current investment assets, an educational overview of the academic research applied in the construction and management of the client's investment portfolio, and a customized strategic asset allocation. (This Investment Policy Statement may thereafter be amended from time to time if and when the client's circumstances change.)
- c. **Initial Implementation of Investment Plan,** including assistance with account transfers and all trades or other transactions to be undertaken.
- d. **Quarterly Reports from Joseph Capital Management, LLC,** which shall include a consolidated inventory of the investments upon which we provide advice to the client, together with a portfolio rebalancing analysis. Such reports may also include a performance report for the client's portfolio. In addition, in January or February of each calendar year, we provide the client with a realized gains and loss report for any taxable account the client possesses, to aid the client or his/her CPA/accountant/tax preparer in income tax preparation.
- e. **Online Access to Account Information.** Utilizing a combination of secure online account aggregation and online data reporting services, we will endeavor to make certain reports available to the client online each business day, with updated account values (for assets held at TD Ameritrade Institutional or Fidelity Institutional) as of the preceding day usually supplied by 11:00 a.m. each day.
- f. **Monthly or Quarterly Statements Directly from Account Custodians.** In addition, the client shall receive directly from all corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies that hold the client's investments,



monthly or quarterly statements reflecting the client's investment(s) in their custody, together with (if desired by the client) confirmations of each transaction executed in the account(s). For some custodians, the client may elect to receive such monthly or quarterly statements and trade confirmations by e-mail, rather than by U.S. mail.

**g. Periodic Conferences and/or Telephone Conferences; Financial Life Planning.** We suggest that we confer with clients (either in-person, via web conferencing, or via telephone, as we shall mutually agree) on a periodic basis to review various financial, tax, estate, asset protection, and risk management issues.

**(1) Frequency of Formal Reviews.** Client review conferences are scheduled annually for clients and typically last two to three hours in length.

**(2) Additional Informal Conferences and Telephone Conferences** may be requested by the client from time to time, for no additional charge. Should, however, we believe that the time and expertise required to provide services to the client have become too great, relative to the fees paid by the client, we may suggest (in advance of providing services) either that additional fees be paid or that our agreement for services be terminated.

**(3) Planning Topics which may be discussed during Formal Reviews.** Set forth below are the planning topics which may be discussed during scheduled conferences and telephone conferences. Only such topics as the client and his/her advisory team deem pertinent are discussed at formal review conferences.

**(A)** Development and subsequent review of Joseph's "Total Client Profile" and client's goals;

**(B)** Development of Action Steps;

**(C)** Obtain Costs Basis of securities held in taxable accounts from client;

**(D)** Security Evaluation: Hold, Buy, or Sell;

**(E)** Cash Reserve Account assessment and recommendations;

**(F)** Cash Flow Management, Debt Reduction Strategies, and Major Financial Purchases and/or Sales discussion;

**(G)** Funding of Retirement Accounts;

**(H)** Retirement Account Distribution Planning;

**(I)** Tax Loss Harvesting

- (J) Retirement Portfolio Withdrawal Rate;
- (K) Capital Needs Assessment;
- (L) Development and implementation of an Investment Plan and Investment Policy Statement;
- (M) Investment Strategy and Product Discussion; and
- (N) Rebalancing of the portfolio and generation of cash to meet distributions, withdrawals, and/or advisory fees for the coming year.

**Our Fees.** Joseph Capital's annual fee for the services set forth in the Joseph Investment Program™ is charged as a percentage of the assets under advisement, according to the market value of the investments, according to the schedule below. Fees are paid in quarterly installments, in advance.

Assets Under Advisement	Annual Fees (Paid in Quarterly Installments)
\$0 to \$400,000 (and above)	1.5% of the Assets under Advisement, with a minimum fee of \$1,500 per year

**How Fees are Calculated.** Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter (or, for new clients, upon a date agreed to by Joseph Capital and the client). Valuations are derived from recognized and independent pricing sources, such as TD Ameritrade Institutional, Fidelity Institutional, or other custodians.

**Minimum and Maximum Fees.** There is a minimum fee of \$1,500 per year for The Joseph Investment Program™. Should the client's assets under advisement exceed \$400,000, Joseph Capital reserves the right to reassign the relationship to The Joseph Wealth Planning Program™, with the client's consent.

**When Fees are Paid.** Fees are billed and paid quarterly, in advance of the quarter, and are based upon the values of the financial assets upon which advice is provided as of the end of the preceding quarter.

**How Fees are Paid.** Fees may be deducted from clients' account(s) or paid directly by check by the client following receipt of a statement, or some combination of the foregoing, as the client desires.

**Additional Fees Charged for Separate Services.** On occasion Joseph Capital may charge clients with additional fees for the following projects, should they require more than two hours of the

time of Joseph Capital's team members. Joseph Capital's team member's time is then billed at our **hourly rates** for such team members, which rates are set forth below (***unless Joseph Capital and Client agree to a flat fee for such additional services***). Joseph Capital may require a separate written agreement for these additional services, separate from this Master Agreement.

- (1) Evaluate 401(k), 403(b) and Other Employer-Sponsored Retirement Plan Investment Options;
- (2) Single stock exposure / strategy formulation;
- (3) Stock options;
- (4) "PensionMax" analysis;
- (5) Other Employer-Sponsored Benefit Programs;
- (6) College expense funding;
- (7) Property and/or Liability Insurance needs assessment and policy reviews;
- (8) Life insurance and Long Term Care Insurance needs assessment and policy reviews;
- (9) Estate Planning discussion of needs and referral to appropriate legal counsel;
- (10) Asset Protection Planning discussion and referral to appropriate counsel;
- (11) Philanthropic and/or Charitable Gift Strategies;
- (12) Cost Basis Determinations;
- (13) Variable Annuity (VA) and Equity/Fixed Index Annuity (EIA/FIA) and Variable Life Insurance reviews;
- (14) Personal income tax projections;
- (15) Estate plan design involving business entities and discount valuation techniques; and
- (16) Closely held business and professional firm consulting.

If the foregoing professional services are undertaken on an hourly basis, Joseph Capital Management, LLC's hourly rates for 2011 are set forth below. These fees may change from time to time.

- ◆ \$350 to \$500 per hour for Joseph Capital's Directors and Private Wealth Managers;
- ◆ \$175 per hour for Joseph Capital's Private Wealth Advisors;
- ◆ \$95 per hour for Joseph Capital's Account Transfers Coordinators;
- ◆ \$50 per hour for Joseph Capital's other administrative staff members.

### The Joseph Counsel Program™

The Joseph Counsel Program™ is offered to select new clients who have limited financial planning and/or investment advisory service needs. This program provides specific services, as discussed between Joseph Capital and the client, for a fixed fee or on the basis of hourly fees. Generally, such clients are accepted by Joseph Capital on a case-by-case basis.

Generally, such services include the formulation of a financial plan which addresses the specific planning aspects identified in the client services agreement. Information for formulation of the financial plan is obtained through one or more personal interviews, which generally includes a discussion of the client's financial status, attitudes towards money, future lifetime goals, and obtaining copies of pertinent investment and insurance information. A written financial plan may be prepared and provided; however, in some instances, there is no written document.

Services under the Joseph Counsel Program may encompass all or some of the following areas of concern to a client:

- ◆ Discrete, one-time investment advice on assets which are outside of any ongoing private wealth advisory relationship;
- ◆ Budgeting for personal expenditures;
- ◆ Recommendations and assistance with forms to establish a cash reserve account;
- ◆ Cost basis determinations;
- ◆ Reviews of existing variable annuities and/or equity/fixed income annuities;
- ◆ Contracts and/or Variable Life Insurance (VUL) policy reviews;
- ◆ Personal income tax projections;
- ◆ Planning and projections for retirement capital needs;
- ◆ Planning and projections for retirement income;
- ◆ Life insurance needs and/or policy analysis;
- ◆ Educational expense planning;
- ◆ Risk management counsel involving personal insurance;
- ◆ Risk management counsel involving asset protection planning;
- ◆ Estate planning (not involving transfer taxes);
- ◆ Estate tax / gift tax / generation-skipping transfer tax planning;
- ◆ Death Transition Assistance;
- ◆ Divorce Transition Assistance; and/or
- ◆ Planning for closely held businesses.

**Our Fees.** Fees for services under the Joseph Discrete Advice Program may be charged on an hourly or fixed fee (project) basis, as agreed upon between Joseph Capital and the client. Once determined, the exact fee arrangement is set forth in writing.

Hourly fees generally range as follows:

- ◆ \$350 to \$500 per hour for Joseph Capital's Directors and Private Wealth Managers;
- ◆ \$175 per hour for Joseph Capital's Private Wealth Advisors;
- ◆ \$95 per hour for Joseph Capital's Account Transfers Coordinators;
- ◆ \$50 per hour for Joseph Capital's other administrative staff members.

Fixed fees are determined based upon an estimate of the time required to perform the requested service, the complexity of the issues to be addressed and the expertise required, and the value of Joseph Capital's advice and services. A fixed fee is then quoted for the services requested, and the exact scope of the services and fee arrangement are set forth in writing. Total fixed fees for project-related work may vary from \$100 to \$100,000, given the precise needs and circumstances of the client and the comprehensiveness of the planning projects and the expertise applied to same.

Expenses incurred in connection with financial planning activities or the implementation of recommendations, such as travel costs, overnight delivery charges, postage, etc., are billed separately as specified in the client services agreement.

**When Fees are Paid.** Retainers are normally sought in advance of performance of the work, or at various stages of the planning process, with the remaining balance (if any) billed upon completion of the project or plan.

**How Fees are Paid.** Fees may be paid by check by the client.

**Conflicts of Interest relating to Implementation of Recommendations.** Implementation of recommendations made under the Joseph Counsel Program is entirely at the client's discretion. Should a client choose to utilize the Joseph Wealth Planning Program or its other services in implementing all, or a portion of, the planning advice previously provided, Joseph Capital will receive fees, depending upon the specific services chosen, for these additional services that are in addition to the fee paid under the Joseph Counsel Program. Thus, a potential conflict of interest exists where Joseph Capital receives compensation for performing these additional services.

## **For Existing Clients, Former Investment Advisory Programs in which Services are Still Provided**

In the past, Joseph Capital has offered a variety of investment advisory and financial planning programs for clients, with varying levels of services provided within each program and varying fees. These programs included:

- The Joseph Gold Investment Advisory Program,
- The Joseph Wealth Counsel Program,
- The Joseph Investment Advisory Program, and
- The Joseph Wealth Advisory Program.

Additional services were sometimes offered under one or more of these programs, such as individualized tax planning on an annual basis (including tax projections), online secure data vault for important document storage, and credit monitoring services.

Generally, the percentage assets under advisement fees for such programs do not exceed 1.5%, although certain exceptions may have occurred for clients with low assets under advisement and/or for whom financial planning services are provided.

Some former clients are charged minimum fees (which may be higher than a 1.5% effective rate). For other former clients, minimum fees and assets under advisement minimums have been waived.

These programs still continue, but are not offered to new clients of the firm. Joseph Capital plans to seek to transition existing clients from these prior programs to programs set forth in this Brochure, provided clients enrolled in such programs accept the reduced level of services and/or changes to their fee structures which may result due to such transition.

## **Applicable to All Programs**

### **Other Fees or Expenses Paid in Connection with Advisory Services**

All fees paid to Joseph Capital for investment advisory and financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus and only partially disclosed in the fund's Statement of Additional Information, but which may be estimated based on a fund's turnover ratio and cash holdings.

Clients will incur transaction fees or commissions in connection with trading of mutual fund, ETF, individual stock and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding the client's assets for safekeeping). Mutual fund transaction fees charged by our recommended custodians, TD AMERITRADE INSTITUTIONAL and FIDELITY INVESTMENTS INSTITUTIONAL SERVICES, generally vary from \$24 to \$35 for each purchase and sale transactions. The transaction costs for stock and bond trades vary. Accordingly, the client should review both the fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio), the transaction fees charged by the custodian, as well as the fees charged by Joseph Capital, to fully understand the total amount of fees and costs paid by the client, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to our clients and negotiating brokerage fees on their behalf, please refer to Item 12.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

### **Aggregation of Client Accounts**

Individual accounts for immediate family members (husband, wife, and dependent children) are aggregated, and our fees are charged based on the total value of such family members' accounts. Aggregation of accounts of non-immediate family members (such as adult children, parents, and/or grandchildren) are usually subject to separate written agreements and are not aggregated, this policy is subject to negotiation.

### **When Authorized, Deduction of Fees from Client Accounts**

Clients may choose whether to have their fees billed directly or deducted from client accounts. In certain situations, such as for some qualified retirement plan accounts and traditional IRA accounts, it may be advantageous to the client from a tax perspective to have the portion of Joseph Capital's fees attributable to such accounts directly deducted from such account. Where fees are to be deducted from a client's account, Joseph Capital will request authority from clients to receive quarterly payments directly from the client's account(s) held by an independent qualified custodian, such as TD AMERITRADE INSTITUTIONAL or FIDELITY INVESTMENTS INSTITUTIONAL SERVICES. Clients may provide written limited authorization to Joseph Capital to withdraw fees from account(s). Joseph Capital will send to the client an invoice showing the amount of the fee, the value of the client's assets on which the fee was

based, and the specific manner in which the fee was calculated. Clients should verify the accuracy of the fee calculations in such invoices. Clients will also receive custodial statements showing the advisory fees debited from their account(s).

### **No Sharing of Account Appreciation; No Performance Fees**

All fees are calculated as described above and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

### **Cancellation and Termination of Advisory Agreements**

Clients may cancel a new advisory agreement without penalty by providing written notice of such cancellation to Joseph Capital within five (5) business days of the date of signing the agreement. Following the 5-day cancellation period, the first periods' fee is not refundable due to the large volume of initial work to be undertaken by Joseph Capital. Thereafter, either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Termination of an agreement will not affect: (a) the validity of any action previously taken by Joseph Capital under the agreement; (b) liabilities or obligations of the parties from transactions initiated before termination of the agreement; or (c) a client's obligation to pay advisor fees (prorated through the date of termination). Upon the termination of the agreement, Joseph Capital will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

### **Proper Management of Conflicts of Interest between Clients**

Joseph Capital's relationship with each client is non-exclusive; in other words, Joseph Capital provides investment advisory services and financial planning services to multiple clients. Joseph Capital seeks to avoid situations in which one client's interests may conflict with the interests of another of our clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of Joseph Capital's clients) the need to rebalance the investment portfolios. In this instance, Joseph Capital seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In ascertaining which client portfolios to attend to first, Joseph Capital ranks clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceeds to rebalance portfolios accordingly. More information about this policy is found in each client's client services agreement.



**Proper Management of Conflicts of Interest Relating to the Fees We Receive from Clients**

The vast majority of our clients pay Joseph Capital fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (Joseph Capital does not accept commission-based compensation of any nature, nor does Joseph Capital accept 12b-1 fees). Asset-advised-upon percentage method of compensation can still, at times, lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gifts of funds to charities or individuals; purchases of a home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.); and the amount of funds to place in non-managed cash reserve accounts. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interests, disregarding any impact of the decision upon our firm.

**Comparable Services.** Joseph Capital believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Joseph Capital. In that case, the client would not receive the services provided by Joseph Capital 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, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid *ad hoc* emotional reactions to shorter-term market events. Also, the institutional stock and bond funds of Dimensional Fund Advisers may not be available to the client directly without the use of an investment adviser granted access to such funds.

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

Item 6 is inapplicable to Joseph Capital. Joseph Capital does not accept performance-based fees, nor manage accounts which impose performance-based fees. [Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. Performance-based fees may provide an incentive to favor some accounts over the accounts of clients under our other advisory programs. Joseph Capital considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients, and hence does not employ performance-based fee methods.]

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

Joseph Capital generally offers its services to individual and their families, including high net worth individuals and trusts. Joseph Capital may also provide services to pension and profit sharing plan participants, foundations and other institutions, and business entities.

For clients of The Joseph Wealth Planning Program, there is a minimum level of assets under management of \$400,000. The program does not have a maximum level.

For clients of The Joseph Investment Program, there is no minimum level of assets under advisement. However, the program does have a maximum level of assets under management of \$400,000. Should the client's assets under management exceed \$400,000, Joseph Capital reserves the right to transfer the client to The Joseph Wealth Planning Program.

For clients of The Joseph Counsel Program, there is no minimum level of assets under management. There is no maximum amount of assets under management. Such clients are accepted on a case-by-case basis.

Commencing in 2011, Joseph Capital will also provide services to sponsors of 401(k) and other qualified retirement plans. A separate Brochure will be filed in relation to those services.

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

### Generally

Joseph Capital provides an investment strategy and its implementation for most clients. Clients of Joseph Capital receive the benefit of our investment philosophies, strategies, due diligence, account monitoring, and certain personal financial planning recommendations.

Joseph Capital's Investment Committee establishes the overall investment strategies employed by the firm, reviews the brokerage firms we recommend to our clients, and approves of particular investments which may be used by advisors of our firm. The Investment Committee includes, John J. Ceparano, Sally Long, and Michael J. Tringali.

Expansive academic research, investment information, and certain proprietary analyses are drawn upon in order to provide innovative and comprehensive wealth management and investment advisory services. Each client receives a written Investment Policy Statement, which sets forth a recommended strategic asset allocation which we believe is appropriate for each client's situation and investment time horizon(s). In our view, most individual investors possess not a single investment time horizon, as to when funds are to be withdrawn from the investment portfolio, but a series of investment time horizons, as the client's investment portfolio finances a present and/or future stream of consumption. Our recommended strategic asset allocation seeks to take these varying time horizons into account.

Strategic asset allocation is based on Modern Portfolio Theory, in that an asset allocation is determined among selected asset classes based on each client's personal long term risk and asset return expectations and/or needs. Such an allocation is called strategic as it is meant to be long term oriented and should be only adjusted when some major events occur, such as a job change, or periodically (such as attaining various ages).

Behavioral finance economists have documented various psychological biases investors possess which can negate the ability of an individual investor to adhere to a strategic asset allocation during times of strong market advances or declines. It is essential that clients are able to withstand declines in the value of the overall investment portfolio, which declines we believe are largely unpredictable. Moreover, clients should be prepared to accept our recommendations to rebalance their portfolios during such times, without knowing whether a "market bottom" has been reached, in order to reap some of the benefits of our strategic asset allocation strategy. Also, changing the portfolio allocation mix during market bottoms to a more conservative strategic asset allocation can result in long term damage to the likely achievement of the client's financial goals. At the same time, clients should also be prepared to accept our recommendations to rebalance their portfolios during strong market price advances,

in effect “taking gains off the table,” never knowing if a “market top” has been reached or if even stronger market price advances await. We believe one of the ways we add value to our clients is by applying our insights and wisdom to facilitate such a disciplined approach to rebalancing, as we seek to counter various behavioral biases investors possess which frequently result, without the aid of a financial advisor, in the investor “selling low” and “buying high.”

However, at times a change in a client’s strategic asset allocation may be recommended. Changes in the client’s strategic asset allocation will likely result in transactions in a client portfolio, and these transactions could have tax consequences for a client account and result in additional transaction fees incurred by the client.

To implement a client’s strategic asset allocation, specific no-load (no commissions or sales loads) (and also no 12b-1 fees) investments are then recommended to clients, based upon the due diligence which is undertaken by our Investment Committee. Clients’ portfolios are then periodically monitored, and changes to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is recommended to the clients in order to maintain asset class exposures within desired risk tolerances, subject to variances permitted for tax planning or other reasons. Clients may either provide, or withhold, discretion for the investment advisor to undertake trades on clients’ accounts.

### **Methods of Analyses and Investment Strategies, Generally**

In designing investment plans for clients, Joseph Capital relies upon the information supplied by the client and the client’s other professional advisors. Such information may pertain to the client’s financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. This information becomes the basis for a strategic asset allocation which we believe will best meet the client’s stated long-term personal financial goals. The strategic asset allocation, incorporates those asset classes which Joseph Capital believes (based upon historical data and our own proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term.

A tremendous amount of academic research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investor’s portfolios. Our selection of asset classes is driven by research into global asset classes by such academics as Professor Eugene Fama, Sr. of the University Of Chicago Booth Graduate School Of Business and the Center for Research in Security Prices, Professor Kenneth French of Dartmouth College, and many other academics and researchers.

The investment advice which Joseph Capital provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (i.e., the standard deviation of the portfolio returns) over long periods of time. Joseph Capital allocates and diversifies the client's assets among various asset classes and then among individual investments, following the investment policy agreed to by the client.

Joseph Capital's investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds that are generally available only to institutional investors and clients of advisers granted access to such funds, as well as through fixed income investments and mutual funds holding publicly traded REITs.

Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by Joseph Capital to fit the overall weightings of equities (stocks, stock mutual funds, etc.), REITs, and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client. While asset class "bubbles" are attempted to be discerned when they occur, and if discerned may warrant changes to a client's asset allocation, tactical asset allocation strategies are not generally employed in connection with the management of client portfolios.

### **Methods of Analysis: Sources of Information**

Our security analysis methods include fundamental, quantitative and economic analyses. Our research is based upon a number of factors, including factors and other information derived from commercially available software technology, securities rating services, general economic and market and financial information, due diligence reviews, and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic

white papers, and other periodicals. Issuer-prepared information (including prospectuses, statements of additional information, and annual and other reports filed with government agencies), and data aggregation services (Morningstar Advisor, etc.) are also utilized. Investment Committee members and advisors also attend various investment and financial planning conferences.

Research is also received from consultants, including financial economists affiliated with Dimensional Fund Advisors (DFA) and other firms. DFA provides historical market analysis, risk/return analysis, and continuing education services. Various computer software programs from DFA and from other third parties may also be utilized to better model the historical and/or expected returns of designed portfolios. The historical valuation levels of various asset classes (as measured by p/b, p/e, p/c, and/or p/s data for various stock indexes) are also utilized by Joseph Capital to undertake estimates of the probable long-term (15-year) expected returns of various asset classes, as a means of aiding investment and financial planning decision-making.

### Types of Investments

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds. The passively managed stock funds offered by Dimensional Fund Advisors (DFA) are generally recommended. DFA mutual funds offer broad diversification and most are structured for low turnover, so as to substantially lessen the often substantial transaction costs incurred by most mutual funds and ETFs as they trade securities within the fund. Consequently, DFA stock mutual funds' total fees and costs are believed to be generally lower than the total fees and expenses incurred by most other stock mutual funds (including many ETFs and index funds) when comparing funds in the same asset class(es).

Many investment portfolios also include individual fixed income investments (bonds, CDs, etc.) and/or bond funds (primarily from DFA and Vanguard). For clients with a substantial fixed income allocation, Joseph Capital generally recommends a combination of bond funds and individual fixed income investments, with recommended actual investments dependent upon Joseph Capital's views of the risk/return relationship for various forms of fixed income investments or bond funds. Joseph Capital will typically request discretionary authority from clients to manage individual fixed income assets, as such may be necessary to enable the investment adviser to purchase or sell such assets in a timely manner at quoted prices. For clients with \$8,000,000 or greater in total assets under advisement, Joseph Capital will generally offer customized fixed income portfolios. All individual fixed income securities recommended will be investment-grade at the time of recommendation. For clients with less than \$8,000,000 of assets under advisement, low cost bond mutual funds are generally utilized for amounts allocated to fixed income securities.

Client portfolios may also include some individual equity securities, but these are generally part of clients' investment holdings prior to becoming a client of Joseph Capital. However, clients with significant amounts to devote to investing in equities (\$15 million or greater, generally) may also participate in a separate account program, which includes individual stocks using a highly diversified approach. This separate account program utilizes Dimensional Fund Advisors as the separate account manager, and may employ individual stocks as well as the use of Dimensional's mutual funds for some foreign stock or other asset class exposures.

Publicly traded real estate investment trusts (REITs) and commodities index or passive mutual funds or ETFs may be recommended for certain clients who desire to include real estate or commodities in their asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client. More often, this occurs when a client possesses an existing high-cost variable annuity, and a rollover of the annuity is indicated rather than redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by the client and/or provide different investment choices. At times, clients may be advised to retain an existing annuity, previously purchased by the client, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity contract, riders thereto, investment alternatives within the annuity and their fees and costs, and any surrender fees which may be imposed by the insurance company.

New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. At the initiation of our relationship, or thereafter, we may recommend the sale of existing securities, which may result in long-term or short-term capital gains, the realization of ordinary income, or other tax consequences; you are responsible for all tax liabilities arising from such transactions, as well as all other tax liabilities resulting from any other transactions in your account from time to time.

Each client's portfolio holdings and strategic asset allocation are then monitored periodically, taking into account the cash flow needs of the client. Review meetings with clients are held regarding their investment assets under advisement and other personal financial planning issues. Should tax-lot sales be undertaken, to harvest capital losses, you understand that the performance of your investments may be adversely affected, especially if your account(s) possess higher-than-normal cash positions for any period of time. You also realize that new

taxable gains or losses could be generated if similar securities are purchased and then sold during such tax loss harvesting process.

### **Risk of Loss, Generally**

Investing in securities involves a risk of loss that clients should be prepared to bear. However, the strategic asset allocation investment methodology utilized, combined with small-cap and value tilting, will still subject the client to declines in the value of their portfolios, which can at times be dramatic.

Our investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds. However, the correlation of asset classes varies across economic cycles and as the global economy becomes more integrated. For example, recent academic research has suggested that more positive correlations result as between equities and bonds at the peak of market cycles. Accordingly, the benefits of diversification among multiple asset classes may not, in the future, or at times, be as great as they have been in recent years or in the past.

We believe there exists a high probability in most market environments of a long-term (15-year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be "tilted" toward small cap and value stocks. Accordingly, the normally greater expected returns of the equity portion of the portfolio will in turn often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased. Joseph Capital believes this is the best manner to temper the shorter-term volatility of the stock market, especially for clients who derive cash flow from their portfolios (such as clients who are in retirement years). Even then, however, our strategic asset allocation investment methodology results in varying risks and expected returns over time, due not only to variations in economic or market cycles but also due to changes in the valuation levels of various asset classes.

Given the long-term nature of the expected equity premium (i.e., the additional expected return for investing in the overall stock market, relative to less "risky" U.S. Treasury bills), and the long-term nature of the expected value and small cap effects, Joseph Capital's investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds. Joseph Capital's stock mutual fund (or separate account manager) strategies are usually appropriate for clients possessing an investment time horizon of a minimum of ten years, and preferably even longer. Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for



purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), Joseph Capital does not generally engage in market-timing activities. Joseph Capital believes the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period, nor that the investment strategy will perform better than or equal to the performance results of any benchmark or index used in connection with a client's investment portfolio. While Joseph Capital seeks to reduce non-compensated risks to which a client may be exposed, other risks (including but not limited to market risk, i.e., the risk of a general stock market or bond market valuation level decline) may be assumed in order to seek to attain the client's longer-term financial goals and objectives. However, Joseph Capital cannot provide any guarantee that the client's goals and objectives will be achieved.

All mutual funds, ETFs, and other investments have certain risks that are borne by the investor. However, as with all investments, clients face investment risks in our investment programs, which may include (but are not limited to) the following: Loss of Principal Risk, Market Risk, Value Investment Risk, Small Company Risk, Tax-Management Strategy Risk, Social Investment Risk (for socially responsible investment funds), Environmental Impact Consideration Investment Risk (for funds limited as to choice of investment due to environmental impact considerations), risks arising from the use of derivatives within the fund (derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks), Securities Lending Risk, Foreign Securities Risk, Interest Risk, Income Risk, Call Risk, Inflation Risk (and, where applicable, Inflation-Protected Securities Interest Rate Risk), Reinvestment Risk, Business Risk, Credit Risk, Risks of Banking Concentration, Risks of Investing for Inflation Protection, Liquidity Risk, Manager Risk, Global and Country/Regional Economic and Political Risks (including but not limited to the risks of terrorist attacks and war), Currency Risk, Specific Company and Sector Risks (for those of our clients who chose to retain as part of their portfolios individual equity securities previously acquired), and Financial Risk. For a more detailed description of these risks, and to determine which risks are applicable to the specific mutual funds and ETFs we recommend as part of your investment portfolio, please refer to each fund's summary or statutory prospectus, which may be obtained either online at each investment company's web site or upon request to our firm; you should read the prospectus and other disclosure documents, as applicable, for each investment selection recommended to you and/or held as part of your investment portfolio. As a result of the presence of these different types of risks, and others which may not have yet been predicted, adverse events may occur; there can be no assurance that the investment strategies employed in a client's portfolio will be profitable.

Please also note that while all Certificates of Deposit (CDs) purchased for our clients are FDIC-insurance, the pricing of certain of these CDs, which trade in the secondary market, can vary; accordingly, due to price declines and/or transaction costs associated with trading, these CDs could lose value if redeemed prior to maturity. When CDs are recommended to clients, it is our intent that clients hold the CDs to maturity.

### **Risk of Loss, Certain Higher-Risk Securities**

Certain securities recommended, such as U.S. small cap value and mid cap value stock mutual funds, U.S. small cap and microcap mutual funds, and similar pooled investment vehicles inside variable annuities, possess higher levels of volatility (as individual asset classes within a portfolio). Credit risk for high-yield bond funds is relatively higher than for other bond funds, as such bond funds invest mainly in bonds and loans with medium- and lower-range credit quality ratings.

Joseph Capital may employ these higher risk securities as part of an overall strategic asset allocation for a client, and when such is undertaken, Joseph Capital possesses a reasonable belief that the risk-return relationship for these securities, within the context of the overall portfolio, will likely be beneficial for the investor over the long term.

### **Cash Balances in Client Accounts**

Cash in clients' investment accounts are typically swept into the bank or money market mutual fund accounts of the institutions (TD AMERITRADE INSTITUTIONAL or FIDELITY INVESTMENTS INSTITUTIONAL SERVICES). Joseph Capital discusses with each client, during the time of review conferences and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken at the request of the client, to facilitate billing of Joseph Capital's periodic fees or for other reasons. This determination is made on a case-by-case basis. Upon request of a client, cash balances will be maintained for temporary or short-term purposes.

Should the client desire a "cash reserve account," Joseph Capital will assist the client to establish a separate, non-managed cash reserve account, which is not monitored thereafter by Joseph Capital, typically either with Vanguard (using one of its money market funds) or with an online bank (offering FDIC-insured money market funds, up to certain limits). Joseph Capital then seeks to review with the client, during periodic conferences, whether any funds are needed to restore cash reserves. Joseph Capital excludes separate accounts established for cash reserve purposes in the calculation of Joseph Capital's assets under advisement, and hence excludes the value of cash reserve accounts from a client's fee calculations.

## Item 9: Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events of their firm or certain management personnel which would be material to your evaluation of Joseph Capital or the integrity of Joseph Capital's management of your investment portfolio.

Neither Joseph Capital nor its advisory team members possess any legal or disciplinary events which, in the judgment of Joseph Capital's Chief Compliance Officer, are required to be disclosed under the guidelines for such disclosure promulgated by the U.S. Securities and Exchange Commission.

## Item 10: Other Financial Industry Activities and Affiliations

John J. Ceparano, in his individual capacity, is also an officer of Business Blocks, Inc. ("BBI"), a real estate holding company. BBI is currently inactive as an accounting firm. No clients of Joseph Capital will be solicited to invest or participate in BBI in its capacity as a real estate holding company. Mr. Ceparano is also an officer and Certified Public Accountant of Joseph & Company Certified Public Accountants, Inc. ("Joseph CPAs"). Joseph CPAs is not an advisory client of Joseph Capital. Joseph Capital's clients will not be solicited to invest in or otherwise be involved with Joseph CPAs.

Sally Long, in her individual capacity, is also a Member and Registered Agent of III LS, LLC, a real estate holding company. III LS, LLC is not an advisory client of Joseph Capital. Joseph Capital advisor clients will not be solicited to invest in, or otherwise be involved with, III LS, LLC.

Ron A. Rhoades, in his individual capacity, is also a principal and attorney for Ron A. Rhoades, P.A., a Florida law firm. Joseph Capital advisory clients may also be Ron A. Rhoades, P.A. legal clients. No Joseph Capital client is obligated to use any Ron A. Rhoades, P.A. legal service, and no Ron A. Rhoades, P.A. legal client is obligated to use any Joseph Capital advisory service. Joseph Capital is not utilized to solicit clients for Ron A. Rhoades, P.A. No referral fees are paid to either of these entities from the other respective entity. All legal fees charged by Ron A. Rhoades, P.A. are separate and distinct from all advisory fees charged by Joseph Capital. Ron A. Rhoades is also the co-owner of Scholar Financial, LLC, which holds copyrights to certain books and other publications written by Ron and/or others. No Joseph Capital client is recommended to purchase such books or other materials. Scholar Financial, LLC is not an advisory client of Joseph Capital. Ron recently accepted an appointment as Assistant Professor within Alfred State College's (New York) Business Department. Ron A. Rhoades is President of ScholarFi, Inc., a new firm being formed to serve select clients.

Michael J. Tringali, in his individual capacity, is also an officer and Certified Public Accountant of Michael J. Tringali, P.A. ("MJTPA"), an accounting firm. MJTPA is currently inactive as an accounting firm but holds a commercial office which is held for lease. Mr. Tringali, in his individual capacity, is also President, Secretary, and Director of Crystal River Realty, Inc. ("Realty Companies"), a company involved in real estate brokerage activities. Realty Companies will never be an advisory client of Joseph Capital. No Joseph Capital advisory client is obligated to use any service of Realty Companies, and no Realty Companies client is obligated to use any service of Joseph Capital. Joseph Capital advisory clients will not be solicited to invest in Realty Companies. Mr. Tringali, in his individual capacity, is an owner of Tringali Family Investment Properties, LLC ("TFIP"), a real estate holding company. TFIP is not an advisory client of Joseph Capital. No advisory clients of Joseph Capital will be solicited to invest in TFIP. Mr. Tringali is also an officer and Certified Public Accountant of Joseph & Company Certified Public Accountants, Inc. ("Joseph CPAs"). Joseph CPAs is not an advisory client of Joseph Capital. Joseph Capital clients will not be solicited to invest in, or otherwise be involved with, Joseph CPAs.

### **Disclosures Applicable to Three of the Principals**

John J. Ceparano, Ron A. Rhoades, and Michael J. Tringali are the co-member/managers of Joseph Ventures, LLC, which holds real estate in Citrus County, Florida. No Joseph Capital advisory clients will be solicited to invest or participate in Joseph Ventures, LLC in its capacity as a real estate holding company.

### **Sub-Advisory Program Provided for Affiliate RIA Firms**

Joseph Capital has established an affiliate registered investment adviser (RIA) firm and is likely to establish more. Joseph Capital possesses the majority interest in such affiliate RIA firms. The minority interest is owned by a professional services firm (i.e., law firm, CPA firm, etc.) or by individuals or trusts. The goals of each affiliate RIA firm include the expansion of the fiduciary investment advisory services of the type which Joseph Capital provides into target markets (either geographically or as to particular niches), in order to bring Joseph Capital's value-added services from trusted, professional advisors to a broader segment of the investment public.

In connection with this program, Joseph Capital provides, under a sub-advisory contract with each affiliate RIA firm, a turnkey asset management program to the affiliate RIA. This includes the provision of investment advisory services and financial planning (and other services as set forth in Items 4 and 5) to the clients of the affiliate RIA firm. Generally, all the investment advisory services are provided by Joseph Capital's advisors and other team members. The affiliate RIA firm will pay to Joseph a portion of the fees received from the client, generally determined as a flat fee; this flat fee may be recomputed annually or at other appropriate times. The amount of the flat fee is dependent upon the expenses Joseph Capital incurs in

connection with the delivery of investment advisory and financial planning services, generally determined by the amount of assets under advisement with respect to each client, as well as any of the resulting efficiencies of scale achieved.

Joseph Capital is the majority shareholding and possesses all operational and management control of each affiliate RIA. The minority interest owner(s) of the affiliate RIA firm will be required to make an initial capital contribution thereto. Fees received from clients of the affiliate RIA firm are utilized to pay Joseph Capital for its sub-advisory services and to pay for other legal, filing, accounting, marketing, and other expenses the affiliate RIA firm may incur or to provide working capital. Thereafter, the remaining net profit is distributed to the majority interest owner (Joseph Capital) and the minority interest owner(s) in accordance with their percentage ownership of each affiliate RIA firm.

The services offered, fee schedules, and client and fee minimums are set forth in the affiliate RIA firm's Form ADV Part 2A, and are identical to the service offerings provided by Joseph Capital as set forth in this brochure. Clients of an affiliate RIA firm will receive substantially the same services and pay the same fees which they would have paid had they become a client of Joseph Capital directly. Additionally, disclosure of this arrangement between the affiliate RIA firm and Joseph Capital, in which Joseph Capital acts as sub-advisor to the affiliate firm, will be made in the Form ADV Part 2A of the affiliate RIA firm, as well as in any client services agreement between the affiliate RIA firm and its clients.

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

### We Seek to Avoid Material Conflicts of Interest

To seek to avoid material conflicts of interest, generally neither Joseph Capital nor its investment adviser representatives nor its team members receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies. However, some additional services and non-direct monetary or other forms of compensation are offered and provided to Joseph Capital as a result of its relationships with custodian(s) and/or providers of mutual fund products. For example, Joseph Capital's investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined in Item 12. Joseph Capital believes that the services and benefits actually provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to clients of Joseph Capital. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although Joseph Capital believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriately any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

### Our Code of Ethics

Joseph Capital has adopted a Code of Ethics, to which all investment advisor representatives and employees are bound to adhere. The key component of our Code of Ethics states:

*Joseph Capital Management, LLC and its investment advisor representatives and employees shall always:*

- *Act in the best interests of each and every client;*
- *Act with integrity and dignity when dealing with clients, prospects, team members, and others;*
- *Strive to maintain and continually enhance our high degree of professional education regarding Modern Portfolio Theory, strategic asset allocation, and financial, tax, estate, and risk management planning; and*

- *Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.*

Joseph Capital further adopted a detailed Code of Ethics expressing the firm's commitment to ethical conduct, which is adopted by reference by Joseph Capital, and which is utilized to guide the personal conduct of our various team members. This detailed Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth our practices of supervising the personal securities transactions of employees with prior or concurrent access to client trade information. Joseph Capital will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

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

Joseph Capital does not currently participate in securities in which it has a material financial interest. Joseph Capital and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

Joseph Capital's Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of any advisory client nor make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with the Code of Ethics, our firm requires that anyone associated with this advisory practice and who possesses access to advisory recommendations (before or at the time they are entered into) ("access persons") to provide annual securities holding reports and quarterly transaction reports to Joseph Capital's Chief Compliance Officer or his/her designee. We also require access persons to receive advanced approval from Joseph Capital's Chief Compliance Officer or his/her designee prior to investing in any initial public offerings or private placements, and with regard to trading of certain individual securities.

The Code of Ethics further includes our firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

## Item 12: Brokerage Practices

Joseph Capital utilizes the services of TD AMERITRADE INSTITUTIONAL and FIDELITY INVESTMETNS INSTITUTIONAL SERVICES. Each custodian respectively provides our team members with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis and at no charge to them. However, not all independent investment advisors recommend that their clients utilize particular custodians.

TD AMERITRADE INSTITUTIONAL. Joseph Capital participates in the advisory services program (ASP) of TD AMERITRADE INSTITUTIONAL. While there is no direct linkage between the investment advice given and participation in the ASP program, economic benefits are received which would not be received if Joseph Capital did not give investment advice to its clients.

FIDELITY INVESTMENTS INSTITUTIONAL SERVICES. Joseph Capital participates in the FIDELITY INVESTMETNS INSTITUTIONAL SERVICES – Fidelity Registered Investment Advisor Group (FIAG) program. While there is no direct linkage between the investment advice given and participation in the FIAG program, economic benefits are received which would not be received if Joseph Capital did not give investment advice to clients.

## Discussion of Benefits to Joseph Capital as to Both Custodians

The benefits provided by the ASP and FIAG programs include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of electronic duplicate statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials (including, for example, rating reports on individual companies from Standard and Poors' or other sources); (e) access to other vendors (such as insurance or compliance providers, or providers or research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting Joseph Capital to access an electronic communication network for client order entry and to access clients' account information and which may otherwise assist Joseph Capital with its back-office functions, including recordkeeping and client reporting; and (g) conferences at which advisors and employees of our firms may attend (with no registration fees) and receive education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology.



Participation in the custodians' programs also provides access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors, such as the mutual funds of Dimensional Fund Advisors.

The benefits received through participation in the custodians' programs may depend upon the amount of transactions directed to, or amount of assets placed in custody with these custodians. These benefits arise because Joseph Capital does not have to provide or pay other third parties for these services and materials. Joseph Capital may possess an incentive to recommend to its clients a certain custodian based upon Joseph Capital's interest in receiving the research or other services or materials provided by these custodians, rather than on the basis of achieving the most favorable execution for our clients.

Generally, many of these services may be utilized to service all or a substantial number of our clients' accounts. Educational, research, or other services provided by custodians or mutual fund companies may benefit all of Joseph Capital's clients or may benefit only some clients.

### **Our Recommendation of Brokerage Firms**

Clients are permitted to direct Joseph Capital to utilize their desired brokers. However, if such brokers are utilized, Joseph Capital may not possess access to certain mutual funds and other investments that are generally available only to institutional investors or which would require a significantly higher minimum initial investment, and commission rates paid or transaction fees paid may be higher than the fees negotiated by Joseph Capital. Hence, Joseph Capital recommends certain custodians to our clients, for selection by the client.

While as a fiduciary, Joseph Capital endeavors to act in its clients' best interests, our desire that clients maintain much of their assets in accounts at TD Ameritrade or Fidelity may be based in part on the benefit to our firm of the availability of some products and services (previously described) at no cost to us, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. Joseph Capital's clients may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis), than those charged by other discount brokers. However, we have negotiated fees with the custodians we recommend, and we have selected these custodians for their generally lower fees relative to another large custodian. Also, please note that we prefer to recommend custodians whom possess significant size and financial resources, for purposes of enhanced safety of clients' funds. For all of these reasons, the lowest cost custodian for clients may not be recommended to clients by Joseph Capital.

### **Non-Aggregation of Client Trades**

Joseph Capital has chosen to not aggregate (combine) the trades of its clients. This is due to the fact that all trade decisions are reviewed for near-term and long-term tax efficiency, which requires individual analysis of most trading decisions. This individual analysis of trades does not lend itself to computer software programs which could aggregate trades. As a result, Joseph Capital's clients do not receive the benefits of reduced transaction fees which aggregation of trades could provide to our clients, generally.

### **Non-Participation in Client Referral Programs of Custodians**

Joseph Capital will continue to avoid certain relationships with custodians (brokerage firms, etc.) and investment product providers which it believes might materially hamper its independence in its providing advice to its clients or results in clients paying higher mutual fund management, administrative, or other product-related fees and costs. For this and other reasons, Joseph Capital does not participate in the client referral programs which may be sponsored by custodians.

Also, Joseph Capital does not currently recommend to clients any mutual funds or ETFs (other than money market funds) manufactured by affiliates of such custodians (although we may, in the future, recommend such funds if, after a process of due diligence, Joseph Capital's Investment Committee concludes that such mutual funds are the best funds in that particular asset class or would otherwise best meet a client's objectives).

### **About Our Relationships with Investment Product Providers**

Following a stringent interview process, Joseph Capital was granted access by Dimensional Fund Advisors (DFA) to its mutual funds at the time of Joseph Capital's inception of operations. Dimensional Fund Advisors is a Santa Monica, California-based mutual fund company with over 40 funds and over \$206 billion of assets under management (as of December 31, 2010).

While there is no direct linkage between the investment advice given and the approval of Joseph Capital to access the mutual funds of Dimensional Fund Advisors, economic benefits are received which would not be received if Joseph Capital did not give investment advice to clients. These benefits, which are also received by other Registered Investment Adviser firms granted access to the DFA funds, include: (a) attendance at seminars hosted by DFA at which the investment products of DFA are explained, academic instruction is given on asset allocation strategies, and financial planning and practice management instruction is given. Joseph Capital pays all of the travel and hotel costs for members and staff attending these seminars. DFA provides, at no charge to Joseph Capital and the other attendees at such seminars, the speakers and facilities for the seminar, occasional luncheons or dinners, and the materials handed out at the seminar; (b) access to the "financial advisor" portion of the DFA web site ([www.dfaus.com](http://www.dfaus.com)),

which contains additional academic research, practice management articles, newsletters, educational video presentations, software, and investment returns data; (c) use of the DFA Returns and DFA Allocation Evaluator software programs and accompanying data, which can be utilized to ascertain how different asset classes (as represented by various indices) and different mutual funds of DFA have performed over time and which provides a method for calculation based upon historical results of rate of return and standard deviation for those asset classes and mutual funds; (d) various print materials (including article reprints and DFA brochures); (e) occasional practice management conferences and telephone conferences with DFA's team members, including Regional Directors, research staff, and tax staff, to discuss specific issues relating to academic research relating to investment theory and/or relating to practice development (marketing) and management issues; (f) participation in a regional study group sponsored and hosted by DFA; and (g) other services and benefits.

Joseph Capital is under no obligation to recommend the mutual funds of Dimensional Fund Advisors to Joseph Capital's clients. Joseph Capital recommends funds of Dimensional Fund Advisors or other mutual fund companies or other investment products only when Joseph Capital believes they best suit the client's objectives. Joseph Capital does not provide any payment to Dimensional Fund Advisors for the access provided to Joseph Capital's clients. Dimensional Fund Advisors does not pay Joseph Capital any direct monetary compensation in order to recommend the funds of Dimensional Fund Advisors.

## Item 13: Review of Accounts

### Portfolio Reviews and Rebalancing

Portfolio reviews and rebalancing of the client's portfolio, for the assets held under advisement with Joseph Capital, will be undertaken: (1) periodically as set forth in the specific Program in which the client may be enrolled (see Item 5); (2) upon request; and (3) upon a substantial asset class decline for clients of certain programs, under the following adopted policies and procedures.

*Periodic Portfolio Reviews* are undertaken by advisors of Joseph Capital to ascertain if the values in any asset class have strayed beyond their target minimums or maximums, and for purposes of meeting a client's cash flow needs. Even if one or more asset classes fall outside their target minimums or maximums, the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Clients are generally only contacted in the event that rebalancing actions are recommended.

### Additional Portfolio Reviews Upon Request

Additional portfolio reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. Joseph Capital will respond to such requests within a reasonable period of time.

### Special Procedures upon Major Market Change

Upon a substantial decline in the valuation of the stock markets, generally, or a specific stock asset class, an opportunity may be presented for rebalancing of a client's investment portfolio. In such event, our resources may be limited given the number of relationships with our clients, especially if the downward change in valuation of the asset class occurs suddenly. Joseph Capital shall undertake rebalancing actions during this period as follows:

- If the client has provided Joseph Capital with "limited discretion" or "rebalancing discretion," we shall seek to analyze the client's account during this time. Due to the large number of clients under advisement, priority will be based upon the total amount of assets under advisement, with clients who possess higher assets under advisement given greater priority. There is no assurance that Joseph Capital can undertake rebalancing actions for all clients on the day in which rebalancing is indicated; therefore,

if Joseph Capital cannot rebalance a client's account on that day, rebalancing of the account by the next business day will normally occur.

- If the client has not provided Joseph Capital with discretion, we will not analyze the client's account on the days of a major market change. Rather, we will analyze the account only after accounts for which we have discretion have been examined.
- All periodic account reviews, and reviews desired by special request of any client, will be suspended during the process of reviewing accounts upon a major market change.
- If a client has provided Joseph Capital with "rebalancing discretion" or "limited discretion" to trade in his/her account(s), we may undertake sales and purchases in the account(s) without advance notification to the client. Following any exercise of discretion, we shall thereafter (when time permits) seek to notify the client of the trades which have been taken.

### **Procedures Applicable to All Portfolio Reviews**

Only no-load stock and bond and money market mutual funds and exchange-traded funds may be sold or purchased by us in the event of such a portfolio rebalancing. Only funds in such asset classes (or combinations thereof) as may have been approved (in the client's Investment Policy Statement or any amendments thereto, or which are currently approved by Joseph Capital's Investment Committee) may be purchased by us. Preference is given to purchase additional shares in those stock mutual funds which the client currently owns, unless for such valid reason as we determine (avoiding wash sale rules, fund closing, etc.) a substitute fund is, in our judgment, more appropriate.

We may also undertake sales and purchases during this time to effect tax loss harvesting, in addition to rebalancing actions.

In undertaking rebalancing actions, we will seek to rebalance one or more asset classes closer to the targets. We may decline to rebalance a specific asset class, due to tax concerns, high transaction costs relative to the trade amount, or other reasons.

We may estimate the market close at any point during the day during which trades are being made, and undertake trades on that basis. Since the stock market is very volatile, especially in the last hour of trading, this may cause us to underestimate or overestimate the amount needed to effect a rebalancing action.

## Portfolio Reports Provided to Clients

*Quarterly Reports* from Joseph Capital of the client's investment portfolio, including a consolidated inventory of the investments upon which advice is provided to the client and a portfolio rebalancing analysis, are provided to most clients – except those under the Joseph Counsel Program (and other pre-existing hourly or fixed-fee programs). Such reports may also include a performance report of the client's portfolio. In addition, in January or February of each calendar year, the client may be provided with a realized gains and loss report for any taxable accounts which are under advisement to aid the client's CPA/accountant/tax preparer in income tax preparation.

*Online Access to Account Information*, utilizing a combination of secure online account aggregation and online data reporting services to provide updated account values as of the preceding business day for assets held at the custodians (TD Ameritrade Institutional or Fidelity Institutional) utilized by Joseph Capital.

We may also offer periodic data for other investment accounts upon which we provide advice, not held at the foregoing custodians, if such information can be obtained from our account aggregation services, and provided the client's consent is obtained to furnish such account aggregation service with any account passwords required to access account information.

While we are hopeful that the information supplied by custodians and data aggregation services is reliable, we cannot guarantee its accuracy.

Clients may also directly access account information at the custodians with which the accounts are held online (specifically, TD Ameritrade Institutional and Fidelity Institutional), each and every business day, via the secure web sites of these institutions.

*Monthly or Quarterly Statements Directly from Account Custodians* are sent to the client directly from the corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies which hold the client's investments. These statements reflect the assets in the custodian's custody, together with confirmations of each transaction executed in the account(s) if desired by the client. For some custodians, the client may elect to receive these statements by e-mail rather than U.S. mail.

**Clients are strongly encouraged to review the monthly or quarterly statements they receive from custodians.** Despite the best efforts of any firm to safeguard client's assets, fraud could still occur. While we hope that our clients trust our firm and advisors, and we have never had an instance of theft of client funds, we believe it is nevertheless important for clients to verify their investment holdings.

**We also encourage clients to timely compare the account statements received from us with those received directly from TD Ameritrade, Fidelity, or other custodians.** Should the client detect any unauthorized trading in an account, or unauthorized transfers of cash or securities, they are asked to contact Sally Long, Chief Compliance Officer, toll-free at 1-866-746-4460 or via her cell phone (352-212-4014). Please note that while we have never had any unauthorized withdrawals or transfers from our clients' accounts, your assistance in reviewing your monthly and/or quarterly account statements aids us in deterring any such activity in the future.

### **Reviews of Accounts**

Joseph Capital's Private Wealth Advisors undertake the vast majority of periodic reviews of client accounts, although they are often assisted by Joseph's Private Wealth Managers.

Financial planning issues are generally reviewed, and any required analysis undertaken, by Joseph Capital's Private Wealth Managers and Private Wealth Advisors. These reviews generally occur in the context of annual or semi-annual review conferences with clients.

A complete listing of Joseph Capital's advisory team members is found in our consolidated Form ADV, Part 2B, which is provided to each client or prospective client along with this Brochure.

## Item 14: Client Referrals and Other Compensation

Joseph Capital does provide, nor does it accept compensation from, any person for client referrals.

Referrals to other professionals may be undertaken where appropriate to meet the client's needs. These situations are discussed below.

- Referrals to a CPA may be undertaken for preparation of the client's tax projections. Joseph Capital may refer the client to his/her Certified Public Accountant (CPA) and/or tax preparer should Joseph Capital ascertain that tax projections would be useful to the client for one or more various purposes (capital gain harvesting, alternative minimum tax avoidance, impact of additional income on taxation or social security benefits, etc.). While Joseph Capital may assist the client's CPA or tax preparer by providing various information for purposes of these tax projections or suggesting alternative inputs, the client's CPA/tax preparer will provide these services directly to the client, and the client is charged directly by the CPA/tax preparer in accordance with the client's agreement with that person or firm.
- Referrals to attorneys for legal advice and document preparation may be undertaken for preparation of any recommended estate planning documents, the implementation of various strategies relating to asset protection planning, legal document preparation relating to transactions involving closely held businesses and/or professional firms, and/or other similar services. Joseph Capital is not a law firm and does not provide legal services. While Joseph Capital employs attorneys as Private Wealth Managers, these attorneys do not provide legal services in such roles (however, they may possess separate law practices that provide such services).

Joseph Capital receives compensation from its affiliated registered investment advisory firms ("Affiliate RIA"). This compensation is two-fold. First, Joseph Capital receives a sub-advisory fee for providing services to clients of Affiliate RIAs. This sub-advisory fee is charged on an individual client basis. It is a flat fee based upon the total assets under management of the client and how many years the Affiliate RIA has been in operation. Second, Joseph Capital receives a percentage of the net profits each quarter from the Affiliate RIAs, after expenses and cash reserve of the Affiliate RIA has been taken into account. Joseph Capital does not provide or accept any other form of compensation from any Affiliate RIA.



## Item 15: Custody

It is Joseph Capital's policy to not accept custody of a client's securities. In other words, we are not granted access to our clients which would enable us to withdraw or transfer or otherwise move funds or cash from any client account to our accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of our clients' assets.

However, with a client's consent, Joseph Capital may be provided with the authority to seek deduction of Joseph Capital's fees from a client's accounts; this process generally is more efficient for both the client and the investment advisor, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients. When they occur, fee deductions are monitored by the custodians for reasonableness.

All of our clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. **Clients should carefully review these account statements and compare them to the quarterly or other reports made available by Joseph Capital. We urge all of our clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact us with any questions.**

## **Item 16: Investment Discretion**

Joseph Capital accepts limited forms of discretion over clients' accounts, as described in Items 5 and 13 of this Brochure, and below, with the consent of the client and depending upon the terms of the program in which the client is enrolled. Each client's grant of discretion is evidenced in the client services agreement (or addendums thereto) signed by the client, and is further evidenced to the custodians through a limited power of attorney contained in the account establishment form signed by the client or a separate limited power of attorney document signed by the client.

Nearly all clients appoint Joseph Capital as the client's agent and attorney-in-fact with respect to undertaking trades in client accounts. Joseph Capital's ability to enter trades electronically for clients often provides reduced transaction fees and other benefits to the client.

Please note that Joseph Capital prefers to contact clients in advance of trades, but the limited forms of discretion set forth below are believed by us to better enable our firm to serve our clients. Moreover, Joseph Capital seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

### **Fixed income trading discretion - for nearly all client accounts**

With client consent, Joseph Capital will accept discretion to purchase and sell individual fixed income securities. Only investment-grade individual fixed income securities will be purchased using this discretion. The purpose of this discretion is to enable Joseph Capital to undertake purchases and sales in a timely manner when securities are available at quoted prices.

### **Rebalancing in the event of a major asset class valuation fall – for most client accounts**

With client consent, Joseph Capital will accept discretion to undertake sales of fixed income securities (usually bond funds) and purchases of stock mutual funds or stock exchange-traded funds (typically additional shares of funds already owned by the client, or substantially similar securities should the need arise) on the same day, when in the judgment of the investment adviser a significant fall in the value of a stock asset class has occurred which may affect a substantial number of our clients. Trades are generally undertaken by prioritizing clients accounts based upon the amount of assets under advisement (from high to low) at the time of the last quarter; it is possible that not all client accounts in which trades should be undertaken will be attended to on the day of, or day following, a major stock market or asset class decline in value. Not all client accounts will need trading on such a day, however. On such days Joseph Capital's Private Wealth Managers and Private Wealth Advisors will not typically possess the

time to discuss planned trades with each client in advance, due to the large number of trades to be undertaken. Clients who do not provide Joseph Capital with this type of limited discretion will typically not see trading in their accounts on the day of a major rebalancing effort. Please note that we will not typically possess the ability to receive or return calls from clients on the day of a major rebalancing effort, but we will endeavor to communicate with clients outside of trading hours or within a few days thereafter.

While trades are planned based upon an advisor's judgment of the likely value of asset classes at the end of trading on the exchanges (*i.e.*, typically 4:00pm, the time when trades in mutual funds are executed under SEC rules), it is possible that late-session movements in the values of asset classes may occur, which may cause either an under-purchase or over-purchase of stock mutual funds or stock ETFs in a client's account relative to the desired target for a particular asset class.

Within a reasonable period of time following the exercise of discretion by our team to undertake such sales and purchases for rebalancing purposes, a team member will attempt to contact the client to discuss any trades which have taken place.

While it is hoped that the number of occurrences in which this type of limited discretion is exercised is limited, and will occur on average less than once each year, during the Fall of 2008 Joseph Capital experienced four days in which this type of discretion was exercised for some clients, due to high volatility in the stock market during that period of time.

### **Limited discretion to rebalance in accordance with investment policy – for some client accounts**

With client consent, Joseph Capital will accept from clients discretion to deploy cash additions (or cash arising from the redemption of maturity of securities) in a client's portfolio in accordance with the client's investment policy statement. In addition, Joseph Capital will accept from such clients the discretion to rebalance the client's portfolio back closer to its desired targets. Clients typically grant such authority to Joseph Capital for rebalancing purposes when the client's business affairs or travels are such that the client is likely to be unavailable to Joseph Capital to confer, prior to entering any recommended trade(s).

**Item 17: Voting Client Securities**

As a matter of firm policy and practice, Joseph Capital does not accept authority to vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Generally, clients will receive their proxies or other solicitations directly from the custodian or transfer agent. However, clients may call or e-mail their advisor with questions regarding a particular proxy or other solicitation, and Joseph Capital may provide advice to clients regarding clients' voting or proxies or such solicitations, upon request of a client or clients or in unusual circumstances.

**Item 18: Financial Information**

Joseph Capital does not require the prepayment of more than \$1,200 in fees per client for six months or more in advance. Generally, Joseph Capital only requires the prepayment of fees for more than one calendar quarter when a client first signs the client services agreement. This prepayment will not exceed a period of six months (two full calendar quarters), and generally only requires payment for the remaining days in the current calendar quarter and the fee for the next full calendar quarter.

Joseph Capital accepts limited forms of discretion over clients' accounts, as described in Item 16 of this Brochure. Due to this acceptance, Joseph Capital is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Joseph Capital currently possesses no such financial condition. Joseph Capital has never been the subject of a bankruptcy proceeding.

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