

Black Capital Management, LLC

Brochure **Dated 7/12/2012**

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This Brochure provides information about the qualifications and business practices of Black Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (816) 525-9300 or black@blackcapitalmanagement.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Black Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Black Capital Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Black Capital Management, LLC's disclosure statement since last year's Annual Amendment filing on March 3, 2011.

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Item 4 Advisory Business

- A. Black Capital Management, LLC (“Black Capital”) is a limited liability company formed on February 10, 2006 in the State of Missouri. Black Capital became registered as an Investment Adviser Firm in October 1987. Black Capital is solely owned by Terry Black, Black Capital’s Managing Member.
- B. As discussed below, Black Capital offers to its clients (individuals, pension and profit sharing plans, corporations, business entities, trusts, estates and charitable organizations, etc.) investment advisory services on a non-discretionary basis. Black Capital does not provide financial planning or consulting services.

INVESTMENT ADVISORY SERVICES

Black Capital Management provides professional investment advisor’s services specializing in the management of balanced and equity portfolios for employee benefit plans, corporate investment funds and portfolios of individual and family assets. The firm concentrates its investments in equities, fixed income and cash equivalent securities, thereby customizing a portfolio program for the long-term investor.

The client can determine to engage Black Capital to provide non-discretionary investment advisory services on a *fee-only* basis. Black Capital’s annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Black Capital’s management (between negotiable and 1.00%) as follows:

Estimated Annual Fee Schedule:

<u>Market Value of Assets</u>	<u>% of Assets</u>
From \$100,000 to \$2.0 million	1.00%
Next \$2.0 to \$5.0 million	0.75%
Above \$5.0 million	0.50%
<i>Fees are negotiable.</i>	

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. Black Capital **does not** provide financial planning or any other related consulting services. Neither Black Capital, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of Black Capital’s services should be construed as same. To the extent requested by a client, Black Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Black Capital. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter

relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage Black Capital on a non-discretionary investment advisory basis **must be willing to accept** that Black Capital cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Black Capital will be unable to effect any account transactions without first obtaining the client's verbal consent.

Client Obligations. In performing its services, Black Capital shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Black Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Black Capital's previous recommendations and/or services.

Disclosure Statement. A copy of Black Capital's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. Black Capital shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Black Capital shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Black Capital's services.
- D. Black Capital does not participate in a wrap fee program.
- E. As of December 31, 2011 Black Capital had \$72,217,000 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage Black Capital to provide non-discretionary investment advisory services on a *fee-only* basis. Black Capital's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Black Capital's management (between negotiable and 1.00%) as follows:

Estimated Annual Fee Schedule:

<u>Market Value of Assets</u>	<u>% of Assets</u>
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Next \$2.0 to \$5.0 million	0.75%
Above \$5.0 million	0.50%
<i>Fees are negotiable.</i>	

- B. Black Capital's advisory fees are deducted from the client's custodial account. Both Black Capital's *Investment Advisory Agreement* and the custodial/ clearing agreement authorize the custodian to debit the account for the amount of Black Capital's investment advisory fee and to directly remit that management fee to Black Capital in compliance with regulatory procedures. In the limited event that Black Capital bills the client directly, payment is due upon receipt of Black Capital's invoice. Black Capital shall generally deduct fees and/or bill clients quarterly in arrears based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Black Capital shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, and for individual equity and fixed income securities transactions; *Schwab* imposes a minimum transaction fee of \$25.00 for each equity transaction of 500 shares or less). In addition to Black Capital's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Fees are payable quarterly, generally after services are rendered at the choice of the client. A client may terminate our contract at anytime in writing, and is immediately due a full refund of any advanced fees paid. Black Capital provides client five (5) business days after signing investment management agreement during which client, with written notice to Black Capital, may terminate agreement and receive full refund. Black Capital requires an annual minimum investment of \$1 Million for investment advisory services. Black Capital, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Black Capital and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Black Capital shall debit the account for any earned and unpaid advisory fee as of the date of termination.

- E. Neither Black Capital, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

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

Item 7 Types of Clients

Black Capital offers to its clients (individuals, pension and profit sharing plans, corporations, business entities, trusts, estates and charitable organizations, etc.) investment advisory services on a non-discretionary basis. Black Capital requires an annual minimum investment of \$1 Million for investment advisory services. Black Capital, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Black Capital may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

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

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Black Capital) will be profitable or equal any specific performance level(s).

- B. Black Capital's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Black Capital must have access to current/new market information. Black Capital has no control over the dissemination rate of market information; therefore, unbeknownst to Black Capital, certain analyses may be compiled with outdated market information, severely limiting the value of Black Capital's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values.

There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Black Capital's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Black Capital may also implement and/or recommend – short selling and/or options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Black Capital shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Black Capital is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Black Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Black Capital primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") on a non-discretionary basis in accordance with the client's designated investment objective(s).

Item 9 Disciplinary Information

Black Capital has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Black Capital, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Black Capital, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Black Capital has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Black Capital does not recommend or select other investment advisors for its clients.

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

- A. Black Capital maintains an investment policy relative to personal securities transactions. This investment policy is part of Black Capital's overall Code of Ethics, which serves to establish a standard of business conduct for all of Black Capital's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

Black Capital also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Black Capital or any person associated with Black Capital.

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

Black Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Black Capital's "Access Persons". Black Capital's securities transaction policy requires that an Access Person of Black Capital must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an

Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Black Capital selects; provided, however that at any time that Black Capital has only one Access Person, he or she shall not be required to submit any securities report described above.

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

Item 12 Brokerage Practices

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

Factors that Black Capital considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Black Capital, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Black Capital's clients shall comply with Black Capital's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Black Capital determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Black Capital will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Black Capital's investment management fee. Black Capital's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

- 1. Research and Additional Benefits.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Black Capital may receive from *Schwab*, without cost (and/or at a discount) support services and/or products, certain of which assist Black Capital to better monitor

and service client accounts maintained at such institutions. Included within the support services that may be obtained by Black Capital may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Black Capital in furtherance of its investment advisory business operations.

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

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

Black Capital's Chief Compliance Officer, Terry Black, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

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

Please Note: In the event that the client directs Black Capital to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Black Capital.

Black Capital's Chief Compliance Officer, Terry Black, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

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

Item 13 Review of Accounts

- A. For those clients to whom Black Capital provides investment supervisory services, account reviews are conducted on an ongoing basis by Black Capital's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Black Capital of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Black Capital on an annual basis.
- B. Black Capital *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Black Capital may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Black Capital may receive an indirect economic benefit from *Schwab*. Black Capital, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

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

Black Capital’s Chief Compliance Officer, Terry Black, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. Black Capital does not have any new referral relationships whereby it compensates others for client referrals. Historically, Black Capital participated in the Schwab Advisor Network (“The Service”), a referral service sponsored by *Schwab*. Black Capital continues to pay referral fees to *Schwab* for already-existing referrals, but no longer participates in The Service and has no other referral arrangements. During the period within which Black Capital participated in The Service, Black Capital maintained ADV disclosure relative to the relationship, but has since removed the disclosure due to its becoming moot. Any questions pertaining to the historical relationship should be addressed to Black Capital’s Chief Compliance Officer.

Item 15 Custody

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

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

Item 16 Investment Discretion

Black Capital does not provide investment advisory services on a non-discretionary basis.

Item 17 Voting Client Securities

- A. Black Capital does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Black Capital to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. Black Capital does not solicit fees of more than \$500 per client, six months or more in advance.
- B. Black Capital does not provide investment advisory services on a discretionary basis.
- C. Black Capital has not been the subject of a bankruptcy petition.

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

Item 19 Requirements for State Registered Investment Advisers

- A. Terry Black is Managing Member of Black Capital. For more information about the above individual, please see the Brochure Supplement to Black Capital's Brochure.
- B. Black Capital is not engaged in any other business than as set forth in this brochure.
- C. Neither Black Capital, nor its representatives, accepts performance-based fees.
- D. Neither Black Capital, nor its representatives, has been the subject of any disciplinary actions.
- E. Neither Black Capital, nor its representatives, has any relationship or arrangement with any issuer of securities.

ANY QUESTIONS Black Capital's Chief Compliance Officer, Terry Black, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.