

## Item 1: Cover Page

### JCM Advisors of Crystal River, LLC

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This brochure was last updated on August 17, 2011.

This brochure provides information about the qualifications and business practices of JCM Advisors of Crystal River, LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Sally Long, who is responsible for JCM Advisors of Crystal River, 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 JCM Advisors of Crystal River, 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 JCM Advisors of Crystal River, LLC is 150665.

## Item 2: Summary of Material Changes

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

- (1) Ron A. Rhoades, Owner, Director of Research, Chief Compliance Officer, and Private Wealth Manager, left Joseph Capital in July 2011. We have reflected his departure throughout this document.
- (2) Sara (Sally) Long, Senior Private Wealth Advisor was appointed as our Chief Compliance Officer.
- (3) Disclosures on services and fees to Retirement Plans and Plan Sponsors were added to Items 4 and 5.

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## Item 4: Advisory Business

### Summary: About JCM Advisors of Crystal River, LLC

JCM Advisors of Crystal River, LLC is a joint venture of JCM Advisors of Crystal River, LLC and Joseph Capital Management, LLC ("Joseph Capital"). JCM Advisors of Crystal River, LLC and Joseph Capital formed this joint venture in order to afford a wider array of clients the opportunity to view and secure the fee-only private wealth management services of Joseph Capital. Joseph Capital provides sub-advisory services to JCM Advisors of Crystal River, LLC, which in turn enables JCM Advisors of Crystal River, LLC to provide investment advisory services to clients.

JCM Advisors of Crystal River, LLC provides financial planning and investment advisory services to select individual clients. 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 certified public accountants, Certified Financial Planners™, and a former trust officer. 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 Joseph Capital's advisory team, please refer to the biography of each advisor, found in Joseph Capital's Form ADV Part 2B.

### Summary: About 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.

### Summary: Investment Philosophy

JCM Advisors of Crystal River, LLC utilizes Joseph Capital's Investment Committee to establish the overall investment strategies employed by JCM Advisors of Crystal River, LLC, review custodial and certain other arrangements, as well as to undertake due diligence with respect to specific investments.

With regard to Joseph Capital's 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.

JCM Advisors of Crystal River, LLC and Joseph Capital generally recommend 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, JCM Advisors of Crystal River, 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.

### **Our Principal Owners**

The owners of JCM Advisors of Crystal River, LLC, are Joseph Capital Management, LLC, and JCM Affiliate, LLC. Sara (Sally) Long serves as Manager of JCM Advisors of Crystal River, LLC, and as its Chief Executive Officer and Chief Compliance Officer.

Joseph Capital Management, LLC is owned by John J. Ceparano, Ron A. Rhoades and Michael J. Tringali.

JCM Affiliate, LLC, is owned by Edward Serra.

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

As of December 31, 2011, JCM Advisors of Crystal River, LLC provided advice (either as primary advisor or sub-advisor) on approximately \$9,198,074 of financial assets for approximately 4 family groups. These include all financial assets of clients who engage JCM Advisors of Crystal River, LLC for ongoing advice on their investment portfolios, which JCM Advisors of Crystal River, LLC believes is continuous and regular in nature. Of these assets under advisement, approximately \$9,198,074 are discretionary and \$0 are non-discretionary.

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

JCM Advisors of Crystal River, LLC, 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**

JCM Advisors of Crystal River, LLC offers one program for new individual clients of the firm: The JCM Advisors of Crystal River, LLC Wealth Planning Program™. This program is described in

further detail in Item 5 (“Fees and Compensation”) of this Brochure. JCM Advisors of Crystal River, LLC provides certain financial planning services as part of the JCM Advisors of Crystal River, LLC Wealth Planning Program™.

### **Advisory Services to Retirement Plans and Plan Participants**

JCM Advisors of Crystal River, LLC provides advisory services to corporate retirement plans and to participants in retirement plans. In serving these retirement plans, JCM Advisors of Crystal River, LLC advises on the fund selection and monitoring of the investment choices available through each retirement plan and assists members of each retirement plan with basic retirement planning education. In serving participants in retirement plans, JCM Advisors of Crystal River, LLC advises those participants on investment selection, asset allocation, and similar matters.

JCM Advisors of Crystal River, LLC will provide services to Plan Sponsors and their Participants as described below. Plan Sponsors must make the ultimate decision to retain JCM Advisors of Crystal River, LLC for pension consulting and other advisory services including, but not limited to, services at the participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan.

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

In general, JCM Advisors of Crystal River, LLC’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. 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.

JCM Advisors of Crystal River, LLC and 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. JCM Advisors of Crystal River, LLC and Joseph Capital also consider, in providing advice to clients, investments held in 401(k), 403(b), or other qualified retirement plan accounts, as well as nonqualified annuities; JCM Advisors of Crystal River, LLC and 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.

## Item 5: Fees and Compensation

JCM Advisors of Crystal River, LLC provides investment advisory services to clients in conjunction with Joseph Capital Management, LLC ("Joseph Capital"), which acts as its sub-advisor. All investment advisory and private wealth management services are provided to clients through the JCM Advisors of Crystal River, LLC Wealth Planning Program™.

### The JCM Advisors of Crystal River, LLC Wealth Planning Program™

The JCM Advisors of Crystal River, LLC Wealth Planning Program™ is JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC Wealth Planning Program™.

Generally, the JCM Advisors of Crystal River, LLC 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**, 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 the "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 JCM Advisors of Crystal River, LLC, 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 shall be agreed upon with the client, in writing, in a separate written fee agreement.

**Our Fees.** JCM Advisors of Crystal River, LLC's annual fee for the services set forth in the JCM Advisors of Crystal River, LLC 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 less than three but not to exceed 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 JCM Advisors of Crystal River, LLC Wealth Planning Program is \$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.

**Sub-Advisory Fees Paid by JCM Advisors of Crystal River, LLC to Joseph Capital.** The schedule of fees set forth above is the same standard fee scheduled quoted by Joseph for Joseph Capital's own clients when Joseph Capital provides advisory services under its substantially similar Joseph Wealth Planning Program™. JCM Advisors of Crystal River, LLC pays to Joseph Capital a sub-advisory fee for the investment advisory services Joseph provides to the clients of JCM Advisors of Crystal River, LLC. The amount of the sub-advisory fee paid by JCM Advisors of Crystal River, LLC to Joseph Capital varies with each client depending upon the amount of assets upon which advice is provided for a client, whether additional services are provided to a client on a fixed or hourly fee basis, and variances from year to year in Joseph Capital's estimated cost in providing such advisory services.

**Formation of Wealth Management Team.** If the client possesses \$3,000,000 or greater in assets under advisement with JCM Advisors of Crystal River, LLC, and if such is desired, JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC may charge clients with additional fees for the following projects, which are separate from the scope of the Master Client Services Agreement entered into with JCM Advisors of Crystal River, LLC. Our team member's time is then billed at our **hourly rates** for such team members, which rates are set forth below (***unless JCM Advisors of Crystal River, LLC and Client agree to a flat fee for such additional services***). JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC Wealth Planning Program™ as discussed and agreed upon between Client and JCM Advisors of Crystal River, LLC.
- (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, JCM Advisors of Crystal River, LLC 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, JCM Advisors of Crystal River, LLC's hourly rates for 2012 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

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

In the past, JCM Advisors of Crystal River, LLC has offered clients financial planning and wealth management services under the JCM Advisors of Crystal River, LLC Wealth Advisory Program™.

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

This program continues, but is not offered to new clients of the firm. JCM Advisors of Crystal River, LLC plans to seek to transition existing clients from this prior program to the program set forth in this Brochure, provided clients enrolled in such prior program accept the reduced level of services and/or changes to their fee structures which may result due to such transition.

### **Advisory Services to Retirement Plans and Plan Participants**

JCM Advisors of Crystal River, LLC also receives advisory fees for the advisory services that it provides to Retirement Plans and Accounts. When advising a corporate retirement plan, JCM Advisors of Crystal River, LLC receives an advisory fee of up to 1% of plan assets from the employee-directed retirement plan. When advising a participant in a retirement plan, JCM Advisors of Crystal River, LLC receives an advisory fee of up to 1% of the market value of the client's assets invested in the retirement plan.

### **Applicable to All Programs**

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

All fees paid to JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC, 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; however, 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 JCM Advisors of Crystal River, LLC's fees attributable to such accounts directly deducted from such account. Where fees are to be deducted from a client's account, JCM Advisors of Crystal River, LLC, through 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 JCM Advisors of Crystal River, LLC to withdraw fees from account(s). JCM Advisors of Crystal River, LLC, through 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 JCM Advisors of Crystal River, LLC. 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 JCM Advisors of Crystal River, LLC 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, JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC's and Joseph Capital's relationship with each client is non-exclusive; in other words, the firms provide investment advisory services and financial planning services to multiple clients. Each firm 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 JCM Advisors of Crystal River, LLC 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 (JCM Advisors of Crystal River, LLC and Joseph Capital do not accept commission-based compensation of any nature, nor do the firms 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.** JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC. In that case, the client would not receive the services provided by JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC 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. JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC generally offers its services to individual and their families, including high net worth individuals and trusts. JCM Advisors of Crystal River, LLC may also provide services to pension and profit sharing plans and plan participants, foundations and other institutions, and business entities.

For clients of the JCM Advisors of Crystal River, LLC Wealth Planning Program, there is a minimum level of assets under management of \$400,000. The program does not have a maximum level.

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

#### **Generally**

As disclosed in Item 4, Joseph Capital provides sub-advisory services to JCM Advisors of Crystal River, LLC. 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, Michael J. Tringali, and Sally Long.

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.

### **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.

### **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.

### **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.

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.

### **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 advisers 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 JCM Advisors of Crystal River, LLC or the integrity of JCM Advisors of Crystal River, LLC's management of your investment portfolio.

Neither JCM Advisors of Crystal River, LLC, its sub-advisor Joseph Capital, nor its advisory team members possess any legal or disciplinary events which, in the judgment of JCM Advisors of



Crystal River, LLC'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**

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 JCM Advisors of Crystal River, LLC. JCM Advisors of Crystal River, LLC, advisor clients will not be solicited to invest in, or otherwise be involved with, III LS, LLC.

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

Joseph Capital Management, LLC ("Joseph Capital") has established three affiliate registered investment adviser (RIA) firms, 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's value-added services from trusted, professional advisors to a broader segment of the investment public. Further information on Joseph Capital's Sub-Advisory Program may be found in Joseph Capital's Form ADV Part 2A.

### **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 JCM Advisors of Crystal River, LLC nor 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, JCM Advisors of Crystal River, LLC's and 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. JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC. However, in the

interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC and Joseph Capital have 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:

*JCM Advisors of Crystal River, LLC and Joseph Capital and their 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.*

JCM Advisors of Crystal River, LLC further adopted Joseph Capital's detailed Code of Ethics expressing the firm's commitment to ethical conduct, which is adopted by reference by JCM Advisors of Crystal River, LLC, 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. JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC does not currently participate in securities in which it has a material financial interest. JCM Advisors of Crystal River, LLC 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.

JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC's Chief Compliance Officer or his/her designee. We also require access persons to receive advanced approval from JCM Advisors of Crystal River, LLC'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**

JCM Advisors of Crystal River, LLC, through its sub-advisor relationship with Joseph Capital, utilizes the services of TD AMERITRADE INSTITUTIONAL and FIDELITY INVESTMENTS 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. JCM Advisors of Crystal River, LLC, through its sub-advisor relationship with 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. JCM Advisors of Crystal River, LLC, through its sub-advisor relationship with Joseph Capital, participates in the FIDELITY INVESTMENTS 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 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 JCM Advisors of Crystal River, LLC's and Joseph Capital's clients or may benefit only some clients.

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

Clients are permitted to direct JCM Advisors of Crystal River, LLC to utilize their desired brokers. However, if such brokers are utilized, JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC. Hence, we recommend certain custodians to our clients, for selection by the client.

While as a fiduciary, JCM Advisors of Crystal River, LLC 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. JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC.

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

JCM Advisors of Crystal River, LLC 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, JCM Advisors of Crystal River, LLC'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**

JCM Advisors of Crystal River, LLC 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, JCM Advisors of Crystal River, LLC does not participate in the client referral programs which may be sponsored by custodians.

Also, JCM Advisors of Crystal River, LLC 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, through Joseph**

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. 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 JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC, will be undertaken: (1) periodically as set forth in 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.

### **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.

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

Only no-load stock and bond and money market mutual funds and exchange-traded funds (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 by Joseph Capital (may be purchased for clients. 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. 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.**



**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 (Sally Long and Robin Townshend) undertake the vast majority of periodic reviews of client accounts, although they are often assisted by Joseph Capital's Private Wealth Managers (John J. Ceparano and Michael J. Tringali).

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 Joseph Capital's 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**

JCM Advisors of Crystal River, LLC does not receive any economic benefits (other than normal compensation and benefits described in Item 12) from any firm or individual for providing investment advice.

JCM Advisors of Crystal River, LLC does not provide, nor does it accept compensation from, any person for client referrals.

### **Item 15: Custody**

It is JCM Advisors of Crystal River, LLC'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, JCM Advisors of Crystal River, LLC may be provided with the authority to seek deduction of JCM Advisors of Crystal River, LLC'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 JCM Advisors of Crystal River, LLC. 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**

JCM Advisors of Crystal River, LLC 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. 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.

### **Item 17: Voting Client Securities**

As a matter of firm policy and practice, JCM Advisors of Crystal River, LLC 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 JCM Advisors of Crystal River, LLC 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**

JCM Advisors of Crystal River, LLC does not require the prepayment of more than \$1,200 in fees per client for six months or more in advance. Generally, JCM Advisors of Crystal River, LLC 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.

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