

**Part 2A of Form ADV: *Firm Brochure***

**James Capital Alliance, Inc.**

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This brochure provides information about the qualifications and business practices of James Capital Alliance, Inc.. If you have any questions about the contents of this brochure, please contact us at 937-429-7384 or [ott@jamescapital.com](mailto:ott@jamescapital.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 James Capital Alliance, Inc. also 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. Our firm's CRD number is 107078.

## **Item 2    Material Changes**

We are required to update our Brochure at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. This item is used to provide our clients with a summary of any material changes from our last annual update.

There are no material changes from the information presented in our last annual update, dated March 15, 2012.

A summary of any material changes to this and subsequent Brochures will be provided to you within 120 days of our FYE. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

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## **Item 4    Advisory Business**

James Capital Alliance, Inc. is a SEC-registered investment adviser with its principal place of business located in Ohio. James Capital Alliance, Inc. began conducting business in 1992. James Capital Alliance, Inc. was established to accommodate the needs of the brokerage community on a retail wrap basis.

Listed below are the firm's principal shareholders:

- Francis Edward James Jr., Director - 48% Owner
- Barry Ray James, CEO - 24% Owner
- Ann Marie Shaw-Kremer, Secretary/Treasurer - 24% Owner
- Michael James McGraw, President - 4% Owner

James Capital Alliance, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions between the client and the client's broker, in which goals and objectives based on a client's particular circumstances are established, the broker develops a client's personal investment policy. The client's personal investment policy is sent to James Capital Alliance, Inc. and the portfolio is managed based on that policy. During the broker's data gathering process, the broker determines the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, the broker also reviews and discusses a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Some clients have restrictions on securities that may be owned, such as socially responsible restrictions, or prohibitions from holding certain stocks for any reason. We generally accommodate clients on these restrictions, however, such departures from our generally established procedures and strategies may result in performance which is different from other clients without restrictions.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers

- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Other\*

\*From time to time, conditions may be deemed especially favorable for purchases of open or closed-end mutual funds or money market mutual funds. These purchases may result in additional fees for the client, due to fees inherent in these types of securities.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2012, we were actively managing \$702,179,311 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.50% to 0.75%.

Clients are invoiced in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Typically, the James Capital Alliance, Inc. management fees are generally deducted directly from the client's account by the client's custodian. The custodian then sends management fees to James Capital Alliance, Inc.

Our services may be terminated, by the client or ourselves, at any time upon written notice to the other. In this event, management fees will be refunded to the client's account on a pro-rata basis according to the number of billing days left in the period.

James Capital Alliance, Inc. does not, itself, impose a minimum opening account size, however, most broker-dealer managed account sponsors generally require a minimum

investment of \$100,000. The account size may be negotiated under certain circumstances.

**Limited Negotiability of Advisory Fees:** Although James Capital Alliance, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. The managed account is not normally negotiable, but may be if officers of the firm agree to do so. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser, the broker-dealer and each client.

**Fees Billed in Advance or Arrears:** Our advisory fees are charged in one of two ways as agreed upon with the client:

- *In advance:* Advisory fees are billed in advance at the beginning of each billing quarter based upon the asset value (market or fair market value in the absence of market value) of the client's account at the end of the previous quarter.

Clients are billed on a quarterly basis in accordance with the terms set forth in the Client Management Agreement.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** client agreement may be terminated at any time, by either party, upon written notice to the other. Said termination shall be effective immediately upon receipt of said termination notice by the other party. Since advisory fees are billed quarterly in advance, James will refund the client's account after any such termination a pro-rata share of his or her fees, computed on a daily basis for the 90-day quarter.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Typically, the broker at the managed account sponsor will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** James Capital Alliance, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

James Capital Alliance, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

James Capital Alliance, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- State or municipal government entities
- Other\* entities such as
  - \*Foundations and Endowments, Trusts, and Taft-Hartley accounts.

As previously disclosed in Item 5, the managed account sponsor has established certain initial and ongoing minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided above in addition to disclosures provided by the managed account sponsor.

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

### **METHODS OF ANALYSIS**

To provide advice to clients, James Capital Alliance, Inc. has a contractual relationship with an affiliated (by common control and ownership) SEC-registered investment adviser, James Investment Research, Inc. In this contractual relationship, James Investment Research, Inc. has been hired to provide asset allocation, research, stock and bond selections, and other services. James Investment Research, Inc. develops and tests statistical computer programs, which assists them in analyzing computer data, permitting them to review and monitor large quantities of data and investment opportunities.

James Investment Research, Inc. (JIR) uses the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** JIR attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is under priced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** JIR analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may under perform regardless of market movement.

***Cyclical Analysis.*** In this type of technical analysis, JIR measures the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

***Quantitative Analysis.*** JIR uses proprietary models to determine stock rankings based on a company's quantifiable data, such as the book value of a share, earnings per share or analyst predictions about those figures.

A risk in using quantitative analysis is that the models may be based on assumptions that prove to be incorrect.

***Qualitative Analysis.*** JIR subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development. These factors are not readily subject to measurement.

A risk is using qualitative analysis is that JIR's subjective judgment may prove incorrect.



**Asset Allocation.** Rather than focusing solely on securities selection, JIR also identifies an appropriate asset allocation suitable to the client's investment goals, risk tolerance, and JIR's view of the market.

A risk of relying on asset allocation is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected (rebalanced), will no longer be appropriate for the client's goals. Another risk is that JIR's allocation decision may be incorrect.

**Mutual Fund and/or ETF Analysis.** JIR looks at the experience and track record of the manager of the mutual fund or exchange-traded fund (ETF) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. JIR also looks at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. JIR also monitors the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** JIR's securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are accurate and unbiased. While JIR are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Other:** JIR develops and tests statistical programs which assist us in analyzing computer data, permitting us to efficiently review and monitor large quantities of data and investment opportunities.

In addition to financial periodicals, SEC filings and company corporate reports, JIR uses computer data banks and electronic information services such as Bloomberg and Zacks, to assist their analysis. JIR does not use soft dollar commissions for research. However, some brokerage houses provide research free of charge, or the research is available on Bloomberg, in which case they may review the research. James Investment Research prides itself on its proprietary research.

### **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

**Short-term purchases.** We may sell a holding in less than a year if we believe the prospects for that security have deteriorated or if we lower the allocation to stocks.

**Trading.** We do not engage in day-trading or other types of high turnover securities management.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Risk of Loss.** Clients should understand that investing in any security, including mutual funds, involves a risk of loss of both income and principal, which clients should be prepared to bear.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **Investment Adviser:**

James Capital Alliance, Inc. has a contractual relationship with an affiliated SEC-registered investment adviser, James Investment Research, Inc. In this relationship, James Investment Research has been hired to provide asset allocation, research, stock and bond selections and other services. James Investment Research, Inc. is solely owned by Francis E. James, Jr.

James Capital Alliance has entered into a referral agreement with James Investment Research, Inc., an affiliated investment adviser due to common control and ownership. Under terms of the referral agreement, employees, officers, and directors of either adviser may refer clients to the other adviser, and the employee, officer, or director may receive a fee for the

referral.

### ***Mutual Fund:***

James Investment Research, Inc. is the investment adviser to the James Advantage Funds, an investment company registered under the Investment Company Act of 1940. Shares of the James Advantage Funds are not purchased in James Capital Alliance's client accounts.

For additional information, the Fund Prospectus and Statement of Additional Information are available online at: [www.jamesfunds.com](http://www.jamesfunds.com). Prospective investors should review these documents carefully before making any investment in the Mutual Fund.

### ***Other Items:***

Certain owners or management personnel of James Capital Alliance, Inc. may be general partner(s) to limited partnerships (LPs) formed for investment purposes. These related persons of our firm do not receive investment advisory compensation in relation to these investments.

Because we have confidence in our research and recommendations, our personnel may personally invest in securities that we recommend to our clients, including our related mutual funds, the James Advantage Funds. Such transactions must be pre-cleared consistent with reporting requirements in the James Capital Alliance Code of Ethics. A summary of the Code of Ethics is available to clients upon written request.

James Capital Alliance, Inc. allows employees to participate in a Nano-cap limited partnership, which invests in speculative securities that are too small, or have such limited trading volume that they cannot be used in other styles or products offered to clients. These transactions are monitored by James' compliance personnel, and must be pre-cleared and reported according to the Code of Ethics. This investment vehicle is not open to the public for investing.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

James Capital Alliance, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by firm access persons. Our code also provides for oversight, enforcement and record keeping provisions.

James Capital Alliance, Inc.'s Code of Ethics further includes the firm's policy prohibiting the

use of material nonpublic information. While we do not believe that we have any particular access to nonpublic information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [ott@jamescapital.com](mailto:ott@jamescapital.com), or by calling us at 937-429-7384.

James Capital Alliance, Inc. and individuals associated with our firm are prohibited from engaging in principal and agency cross transactions and investing in private placements or initial public offerings without compliance approval.

Access persons of our firm are required to report all personal transactions conducted in shares of our affiliated mutual funds, the James Advantage Funds.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no access person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As certain situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) while in possession of material non public information.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of

advisory accounts.

4. Our firm prohibits IPO or private placement investments by related persons of the firm without compliance approval.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.

## **Item 12 Brokerage Practices**

For discretionary clients, James Capital Alliance, Inc. requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs (if applicable) that will be charged to these clients for these transactions.

In the event a client directs James Capital Alliance to use a broker dealer other than the account's custodian, the client must include any limitations on this discretionary authority in a written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Trades are generally required to be executed only with the broker-dealer with which the client has entered into the wrap fee arrangement, so that the advisory firm may not be free to seek best price and execution by placing transactions with other broker dealers. Our experience indicates that certain broker-dealers under clients' wrap fee agreements generally can offer best price for transactions in listed equity securities, but, no assurance can be given that such will continue to be the case with those or other broker-dealers which may offer wrap fee arrangements, nor with respect to transactions in other types of securities. Accordingly, the client may wish to satisfy himself that the broker-dealer offering the wrap fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if the firm were free to negotiate commissions and seek best price and execution of transactions for the client's account.

James Capital Alliance, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

James Capital Alliance, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared

equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. James Capital Alliance, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. James Capital Alliance, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with James Capital Alliance, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable James Capital Alliance, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro-rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro-rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) James Capital Alliance, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on James Capital Alliance, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES("ISS") MODEL PORTFOLIO MANAGEMENT SERVICE**

REVIEWS: Clients choose the investment style for their individual portfolio. James Capital Alliance's investment styles are managed via a model. While the underlying securities within the individual portfolio management accounts are continually monitored, these accounts are reviewed at least monthly for asset allocation levels. Additionally, all securities recommended will be reviewed weekly to ensure that the security still meets investment criteria established by the James Investment Research, Inc. Investment Committee. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Accounts are reviewed by: a member of the Trading Department, whom hold titles of Senior Trader and Trader, by Mr. Barry R. James, Chief Executive Officer, Ms. Lesley Ott, Chief Compliance Officer or Mr. Michael J. McGraw, President. Client accounts are managed according to firm policies and client objectives. Client objectives are documented by the broker at the account's inception and updated by James Capital Alliance, Inc. upon instructions from the client and/or broker.

REPORTS: James Capital Alliance, Inc. does not provide client reporting. Upon request information may be issued to the respective managed account sponsor, then distributed to the client. This information will be in addition to the customary custodial account statements issued by the sponsors. The custodian will issue confirmations of transactions in the client account and periodic account statements, as well as periodic reports monitoring the performance of the client's account. James Capital Alliance, Inc. will issue information quarterly to brokers that will include summaries of the market in general, the economy, interest rates and other "specialized" commentary as appropriate for a client, or as requested by the sponsor.

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

### **CLIENT REFERRALS**

James Capital Alliance, Inc. has entered into a referral agreement with James Investment Research, Inc., an affiliated investment adviser due to common control and ownership. Under

terms of the referral agreement, employees, officers, and directors of either adviser may refer clients to the other adviser, and the employee, officer, or director may receive a fee for the referral.

From time to time, JIR may enter into agreements with individuals or companies that may solicit investment advisory accounts for James Investment Research or for the James Advantage Funds. These agreements may require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Solicitors typically receive a flat fee, paid in cash over a stated period of time.

### **Item 15 Custody**

Our firm does not have actual or constructive custody of client accounts. We do not have authority to withdraw advisory fees directly from client accounts.

### **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Some clients have restrictions on securities that may be owned, such as socially responsible restrictions, or prohibitions from holding certain stocks for any reason. We generally accommodate clients on these restrictions, however, such departures from our generally established procedures and strategies may result in performance which is different from other clients without such restrictions.

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

When possible (with cooperation of the client custodian) James Capital Alliance, Inc. will vote proxies for its clients; however, clients always have the right to vote proxies themselves. Clients can exercise this right by instructing us in writing to not vote proxies in their account.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact us by telephone, email, or in writing.

We have retained a third-party proxy voting service for the voting of and record keeping requirements of our clients' proxies. We will try to vote proxies in the best interests of our clients and in accordance with our established policies and procedures. The key objective of



our proxy voting policy is to maximize the value of the stock held in our clients' portfolios. A copy of our proxy voting policy is available upon request.

Clients may obtain a copy of our proxy voting policies and procedures by contacting us in writing at James Capital Alliance, Inc. - P.O. Box 12 - Alpha, Ohio 45301. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Upon request, we will try to assist clients who receive legal notices of bankruptcies or class action lawsuits involving securities held or purchased in their accounts. We will not act as lead plaintiff in these cases, nor will we be required to act as or retain legal counsel to handle such matters. We do not attempt to monitor legal filings and we cannot assist clients in legal proceedings if we are not duly informed of the filing by the client and/or the client's custodian.

### **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. James Capital Alliance, Inc. has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

James Capital Alliance, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

**Part 2B of Form ADV: *Brochure Supplement***

Barry Ray James  
Michael James McGraw  
Ann Marie Shaw-Kremer  
Clare Marie Thielen

**James Capital Alliance, Inc.**

1349 Fairground Road  
Xenia, Xenia OH

Telephone: 937-429-7384  
Email: [ott@jamescapital.com](mailto:ott@jamescapital.com)  
Web Address: [www.jamescapital.com](http://www.jamescapital.com)

03/04/2013

This brochure supplement provides information about the individual(s) listed above that supplements the James Capital Alliance, Inc. brochure. You should have received a copy of that brochure. Please contact Lesley Ott if you did not receive James Capital Alliance, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about the individual(s) listed above is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Item 2 Educational Background and Business Experience

**Full Legal Name:** Barry Ray James

**Born:** 1956

### Education

- United States Air Force Academy; Bachelor of Science, Humanities; 1978
- Boston University; Masters of Science, Business Administration; 1987

### Business Experience

- James Capital Alliance, Inc.; Chief Executive Officer / Director; from 2/18/1993 to Present
- James Investment Research, Inc.; President / Chief Executive Officer; from 06/1985 to Present
- James Advantage Funds; Chairman / President; from 1991 to Present

### Designations

Barry Ray James has earned the following designation(s) and is in good standing with the granting authority:

- Chartered Financial Analyst (CFA); CFA Institute; 1997

*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.*

*There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.*

### **High Ethical Standards**

*The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:*

- *Place their clients' interests ahead of their own*
- *Maintain independence and objectivity*
- *Act with integrity*

- *Maintain and improve their professional competence*
- *Disclose conflicts of interest and legal matters*

### **Global Recognition**

*Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.*

*Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.*

### **Comprehensive and Current Knowledge**

*The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.*

*The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.*

*To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).*

- **Chartered Investment Counselor (CIC); Investment Adviser Association; 1997**  
*The Investment Adviser Association (IAA) established the Chartered Investment Counselor (CIC) Program. As a prerequisite, candidates must hold the CFA® designation. In addition to successful completion of the CFA® program, the CIC designation requires candidates to demonstrate significant experience in performing investment counseling and portfolio management responsibilities. Qualifying work experience includes a minimum of five (5) cumulative years' in one or more eligible occupational positions. At the time the charter is awarded, candidates must be employed by an IAA member firm, must provide work and character references, must endorse the IAA's Standards of Practice, and must provide professional ethical information.*

### **Item 3 Disciplinary Information**

Barry Ray James has no reportable disciplinary history.

### **Item 4 Other Business Activities**

In addition to his services for James Capital Alliance, Inc., Barry Ray James is the President and CEO of James Investment Research, Inc., an affiliated investment adviser of James Capital Alliance, Inc. James Capital Alliance, Inc. has entered into a referral agreement with James Investment Research, Inc., an investment adviser affiliated with James Capital Alliance, Inc. due to common control and ownership. Under the terms of the referral agreement, employees, officers and directors of either adviser may refer clients to the other adviser, and the employee, officer or director may receive a fee for the referral.

Barry Ray James does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

### **Item 5 Additional Compensation**

Barry Ray James does not receive any economic benefit from a non-advisory client for the provision of advisory services.

### **Item 6 Supervision**

**Supervisor:** Francis James

**Title:** Director

**Phone Number:** 937-429-7384

## **Item 2 Educational Background and Business Experience**

**Full Legal Name:** Michael James McGraw      **Born:** 1960

### **Education**

- University of Dayton; Bachelor of Science, Management; 1982

### **Business Experience**

- James Capital Alliance, Inc.; President; from 09/27/1995 to Present
- James Capital Alliance, Inc.; Chief Compliance Officer; from 09/27/1995 to 12/31/2011

## **Item 3 Disciplinary Information**

Michael James McGraw has no reportable disciplinary history.

## **Item 4 Other Business Activities**

### **A. Investment-Related Activities**

Michael James McGraw is not engaged in any other investment-related activities.

### **B. Non Investment-Related Activities**

Michael James McGraw is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

## **Item 5 Additional Compensation**

Michael James McGraw does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## **Item 6 Supervision**

**Supervisor:** Barry James

**Title:** CEO

**Phone Number:** 937-429-7384

## **Item 2 Educational Background and Business Experience**

**Full Legal Name:** Ann Marie Shaw-Kremer      **Born:** 1952

### **Education**

- Capital University; Bachelor, Business Administration; 1991

### **Business Experience**

- James Investment Research, Inc.; Chief Operating Officer; from 1978 to Present
- James Capital Alliance, Inc.; Secretary/Treasurer/Director; from 1992 to Present

### **Designations**

Ann Marie Shaw-Kremer has earned the following designation(s) and is in good standing with the granting authority:

- Chartered Financial Planner; College of Financial Planning; 1989  
*The program is administered by the Certified Financial Planner Board of Standards Inc. Those with the CFP® designation have demonstrated competency in all areas of finance related to financial planning. Candidates complete studies on over 100 topics, including stocks, bonds, taxes, insurance, retirement planning and estate planning. In addition to passing the CFP certification exam, candidates must also complete qualifying work experience and agree to adhere to the CFP Board's code of ethics and professional responsibility and financial planning standards.*

## **Item 3 Disciplinary Information**

Ann Marie Shaw-Kremer has no reportable disciplinary history.

## **Item 4 Other Business Activities**

In addition to her services for James Capital Alliance, Inc., Ann Marie Shaw-Kremer is the COO of James Investment Research, Inc., an affiliated investment adviser of James Capital Alliance, Inc. James Capital Alliance, Inc. has entered into a referral agreement with James Investment Research, Inc., an investment adviser affiliated with James Capital Alliance, Inc. due to common control and ownership. Under the terms of the referral agreement, employees, officers and directors of either adviser may refer clients to the other adviser, and the employee, officer or director may receive a fee for the referral.

Ann Marie Shaw-Kremer does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

### **Item 5 Additional Compensation**

Ann Marie Shaw-Kremer does not receive any economic benefit from a non-advisory client for the provision of advisory services.

### **Item 6 Supervision**

**Supervisor:** Barry James

**Title:** CEO

**Phone Number:** 937-429-7384



## **Item 2 Educational Background and Business Experience**

**Full Legal Name:** Clare Marie Thielen      **Born:** 1967

### **Education**

- Wright State University; Bachelor of Science, Financial Services; 1991

### **Business Experience**

- James Capital Alliance, Inc.; First Vice President; from 06/18/2003 to Present

## **Item 3 Disciplinary Information**

Clare Marie Thielen has no reportable disciplinary history.

## **Item 4 Other Business Activities**

### **A. Investment-Related Activities**

Clare Marie Thielen is not engaged in any other investment-related activities.

### **B. Non Investment-Related Activities**

Clare Marie Thielen is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his or her time.

## **Item 5 Additional Compensation**

Clare Marie Thielen does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## **Item 6 Supervision**

**Supervisor:** Mike McGraw

**Title:** President

**Phone Number:** 937-429-7384

**PRIVACY NOTICE**  
**James Capital Alliance, Inc.**  
Revised: November 30, 2010

**FACTS**

**WHAT DOES JAMES CAPITAL ALLIANCE, INC.  
DO WITH YOUR PERSONAL INFORMATION?**

**Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depends on the product or service that you have with us. This information can include:

- Social Security number
- Bank account or brokerage/trust account numbers
- Home address and /or phone number

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons James Capital Alliance chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information:	Does James Capital Alliance share information?	Can you limit this sharing?
<b>For our everyday business purposes</b> - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.	YES	NO
<b>For our marketing purposes</b> - to offer our products and services to you.	YES	NO
<b>For joint marketing with other financial companies.</b>	NO	N/A
<b>For our affiliates' (James Investment Research &amp; James Advantage Funds) everyday business purposes</b> - information about your transactions and records.	NO	NO
<b>For our affiliates' everyday business purposes</b> - information about your credit worthiness.	NO	N/A
<b>For our affiliates to market to you</b>	NO	NO
<b>For non-affiliates to market to you</b>	NO	N/A

**QUESTIONS?**

Call 1-800-475-8618 or visit  
[www.jamescapital.com](http://www.jamescapital.com)



**PRIVACY NOTICE**  
**James Capital Alliance, Inc.**  
Revised: November 30, 2010

Page 2

**Who we are**

<b>Who is providing this notice?</b>	James Capital Alliance, Inc.
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**What we do: We are an Investment Adviser registered with The Securities and Exchange Commission.**

<b>How does James Capital Alliance protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<b>How does James Capital Alliance collect my personal information?</b>	We collect your personal information, for example, when you fill out a risk questionnaire to open an account with us to manage some of your financial assets.
<b>Why can't I limit all sharing?</b>	Federal law gives you the right to limit only: <ul style="list-style-type: none"><li>• Sharing for affiliates' everyday business purposes – information about your credit worthiness.</li><li>• Affiliates from using your information to market to you.</li><li>• Sharing for non-affiliates to market to you.</li></ul> State laws and individual companies may give you additional rights to limit sharing.

**Definitions**

<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and non-financial companies. <ul style="list-style-type: none"><li>• We are affiliated with James Investment Research and with the James Advantage Funds.</li></ul>
<b>Non-affiliates</b>	Companies not related by common ownership or control. They can be financial and non-financial companies. <ul style="list-style-type: none"><li>• Your custodian and your broker(s).</li></ul>
<b>Joint marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"><li>• We have no arrangements like this.</li></ul>

**Other important information**

We will release information about your investments, including tax information, security holdings, capital gains and other important data to your tax accountant, your attorney, or any other third party <b>ONLY</b> after receiving written permission from you to release this information.
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# **JAMES CAPITAL ALLIANCE, INC.**

## **PROXY VOTING POLICIES AND PROCEDURES**

**(Adopted May, 2003)**

Pursuant to the recent adoption by the Securities and Exchange Commission (the “Commission”) of Rule 206(4)-6 (17 CFR 275.206(4)-6) and amendments to Rule 204-2 (17 CFR 275.204-2) under the Investment Advisers Act of 1940 (the “Act”), it is a fraudulent, deceptive, or manipulative act, practice or course of business, within the meaning of Section 206(4) of the Act, for an investment adviser to exercise voting authority with respect to client securities, unless (i) the adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interests of its clients, (ii) the adviser describes its proxy voting procedures to its clients and provides copies on request, and (iii) the adviser discloses to clients how they may obtain information on how the adviser voted their proxies.

In order to fulfill its responsibilities under the Act, James Capital Alliance, Inc. (hereinafter “we” or “our”) has adopted the following policies and procedures for proxy voting with regard to companies in investment portfolios of our clients.

### **KEY OBJECTIVE**

The key objective of our Proxy Voting Policy is to maximize the value of the stock held in our client’s portfolios. These policies and procedures recognize that a company’s management is entrusted with the day-to-day operations and longer term strategic planning of the company, subject to the oversight of the company’s board of directors. While ordinary business matters are primarily the responsibility of management and should be approved solely by the corporation’s board of directors, these objectives also recognize that the company’s shareholders must have final say over how management and directors are performing, and how shareholders’ rights and ownership interests are handled, especially when matters could have substantial economic implications to the shareholders.

Therefore, we will pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary for our clients:

*Accountability.* Each company should have effective means in place to hold those entrusted with running a company’s business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.

*Alignment of Management and Shareholder Interests.* Each company should endeavor to align the interests of management and the board of directors with the interests of the company’s shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.

*Transparency.* Promotion of timely disclosure of important information about a company’s business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company’s securities.

## **DECISION METHODS**

We generally believe that the individuals involved in the selection of stocks are the most knowledgeable and best suited to make decisions with regard to proxy votes. Therefore, we rely on those individuals to make the final decisions on how to cast proxy votes.

No set of proxy voting guidelines can anticipate all situations that may arise. In special cases, we may seek insight from a variety of sources on how a particular proxy proposal will impact the financial prospects of a company, and vote in keeping with our primary objective of maximizing shareholder value over the long run.

## **CONFLICTS OF INTEREST**

Conflicts of interest may arise from various sources. They may be due to positions taken by clients that are perceived by them to be in their own best interests, but are inconsistent with James' primary objective of maximizing shareholder value in the long run. James encourages clients who have their own objectives which differ from ours to notify us that they will vote their proxies themselves, either permanently or temporarily. Otherwise, we will vote their shares in keeping with our Policy.

In some instances, a proxy vote may present a conflict between the interests of a client, on the one hand, and our interests or the interests of a person affiliated with us, on the other. In such a case, we will abstain from making a voting decision and will forward all of the necessary proxy voting materials to the client to enable the client to cast the votes.

## **SUMMARY OF PROXY VOTING GUIDELINES**

### **Election of the Board of Directors**

We believe that good corporate governance generally starts with a board composed primarily of independent directors, unfettered by significant ties to management, all of whose members are elected annually. In addition, key board committees should be entirely independent.

The election of a company's board of directors is one of the most fundamental rights held by shareholders. Because a classified board structure prevents shareholders from electing a full slate of directors annually, we will generally support efforts to declassify boards or other measures that permit shareholders to remove a majority of directors at any time, and will generally oppose efforts to adopt classified board structures.

### **Approval of Independent Auditors**

We believe that the relationship between a company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not raise an appearance of impaired independence.

We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with a company to determine whether we believe independence has been, or could be, compromised.

## **Equity-based compensation plans**

We believe that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management, and employees by providing incentives to increase shareholder value. Conversely, we are opposed to plans that substantially dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features.

We will generally support measures intended to increase stock ownership by executives and the use of employee stock purchase plans to increase company stock ownership by employees. These may include:

1. Requiring senior executives to hold stock in a company.
2. Requiring stock acquired through option exercise to be held for a certain period of time.
3. Using restricted stock grants instead of options.
4. Awards based on non-discretionary grants specified by the plan's terms rather than subject to management's discretion.

While we evaluate plans on a case-by-case basis, we will generally oppose plans that have the following features:

1. Annual option grants that would exceed 2% of outstanding shares.
2. Ability to issue options with an exercise price below the stock's current market price.
3. Automatic share replenishment ("evergreen") feature.
4. Authorization to permit the board of directors to materially amend a plan without shareholder approval.
5. Authorizes the re-pricing of stock options or the cancellation and exchange of options without shareholder approval.

These are guidelines, and we consider other factors, such as the nature of the industry and size of the company, when assessing a plan's impact on ownership interests.

## **Corporate Structure**

We view the exercise of shareholders' rights, including the rights to act by written consent, to call special meetings and to remove directors, to be fundamental to good corporate governance.

Because classes of common stock with unequal voting rights limit the rights of certain shareholders, we generally believe that shareholders should have voting power equal to their equity interest in the company and should be able to approve or reject changes to a company's by-laws by a simple majority vote.

Because the requirement of a supermajority vote can limit the ability of shareholders to effect change, we will support proposals to remove super-majority (typically from 66.7% to 80%) voting requirements for certain types of proposals and oppose proposals to impose super-majority requirements.

We will generally support the ability of shareholders to cumulate their votes for the election of directors.

## **Shareholder Rights Plans**

While we recognize that there are arguments both in favor of and against shareholder rights plans, also known as poison pills, such measures may tend to entrench current management, which we generally consider to have a negative impact on shareholder value.

We believe the best approach is for a company to seek shareholder approval of rights plans and we generally support shareholder resolutions requesting that shareholders be given the opportunity to vote on the adoption of rights plans.

We will generally be more inclined to support a shareholder rights plan if the plan (i) has short-term (5 years or less) “sunset” provisions, (ii) is linked to a business strategy that will likely result in greater value for shareholders, (iii) requires shareholder approval to reinstate the expired plan or adopt a new plan at the end of its term, and (iv) is subject to mandatory review by a committee of independent directors.

## **CLIENT INFORMATION**

A copy of these Proxy Voting Policies and Procedures is available to our clients, without charge, upon request, by notifying us in writing at:

James Capital Alliance, Inc. P.O. Box 12 Alpha, Ohio 45301

We will send a copy of these Proxy Voting Policies and Procedures within three business days of receipt of a request, by first-class mail or other means designed to ensure equally prompt delivery.

In addition, we will provide each client, without charge, upon request, information regarding the proxy votes cast by us with regard to the client’s securities.

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