

DeMoss Capital™

Competence.

Truth.

Transparency.

Introduction to DeMoss Capital

John DeMoss started DeMoss Capital in late 2007 after having worked as a portfolio manager at different investment firms in Chattanooga. He developed a passion for managing investments and helping people attain their financial goals. He became frustrated by how traditional investment models seemed to create conflicts of interest between the advisor and the client. John witnessed how large investment firms can become out of touch with their clients, without any understanding of the client's personal investment objectives. Largely a result of the resistance to invest in technology or the right personnel, many investment management firms are unable to provide adequate personalized consultation to its base of clients.

Contrary to the traditional wire house or commission-based advisory model, a Registered Investment Advisory (RIA) works for the client in a fiduciary capacity on a fee-basis. The RIA industry has seen solid growth, and national custodians, such as Charles Schwab and Fidelity, have capitalized on this trend by creating institutional platforms to serve the industry. Schwab Advisor Services reported a 58% compounded annual growth in net new assets from \$3.3 billion in 2005 to \$13.2 billion in 2008. (Charles Schwab, Inc.)



John's vision was to create an RIA firm that is run by highly competent professionals that possess the highest standards of integrity, and is completely transparent in its fee structure – which is why the company uses the tagline – Competence. Truth. Transparency. DeMoss Capital utilizes leading-edge technology and a national custodian to place trades and custody client accounts.

Since the company's founding, John has surrounded himself with an investment team that brings together a diverse skill set, each one integral to providing exceptional service to clients. Each employee is a shareholder, and is committed to being a member of a premier investment management company.

A black and white photograph of four professionals standing outdoors. From left to right: a man in a dark suit and striped tie, a man in a dark suit and patterned tie, a man in a dark suit and light tie, and a woman in a light-colored blazer and dark pants. They are standing in front of a large concrete archway, with a steel truss bridge visible in the background. The overall tone is professional and corporate.

The Family Office Model



Centered around our client's needs and goals

A single family office is an entity created for a family with significant wealth to oversee its financial affairs. The family office is managed by highly-skilled professionals dedicated to preserving and building the family's wealth and serving as a steward to ensure that the wealth is passed on to future generations and to designated philanthropic causes.

The family office manages public and private investments, coordinates with tax and legal professionals on behalf of the family, and oversees risk management needs, among other services.

DeMoss Capital employs the same approach to serving families, but rather than serving only one family, we work for multiple families who need similar financial advisory and stewardship services. We look over the complete financial landscape beyond the investment portfolio, serving as a resource to our clients in all financial matters.

We often serve as a lead coordinator between different professionals and institutions to take the burden off of the family and provide peace of mind that a knowledgeable professional is working on their behalf.

In addition to taking responsibility for the management of investment assets, we are also a resource to clients who are business owners needing advice on how to best capitalize the growth of their business, or perhaps are ready to exit and liquidate their ownership. We lead families through detailed and complicated estate issues to ensure family wealth passes to the next generation. For legal and tax matters, we collaborate with gifted professionals that we know and trust from past engagements, often bringing all parties to the table at one time. We help professional practices defer taxes through savings vehicles. If appropriate, we coordinate between different banks and other financial institutions to help families manage accounts.

The Registered Investment Advisor

DEFINITION

A person or business regulated by the Securities and Exchange Commission (SEC) that provides investing advice or counsel to an investor in a fiduciary capacity.

All investment Advisors managing over \$100 million must register with the SEC; the actions of all registered investment Advisors are governed by the Investment Act of 1940. Importantly, it is a criminal offense for investment advisors to provide false or misleading information, and to buy or sell his/her own securities to or from a client.

Unfortunately, only a small proportion of “financial advisors” are federally or state-registered Investment Advisors. Most financial advisors are considered “Broker-Dealers” by the SEC. They are held to the “suitability standard”, a lower standard of diligence on behalf of their clients¹.

¹National Association of Personal Financial Planners

Fiduciary Duty

DEFINITION

A fiduciary duty is the highest standard of care at either equity or law. A fiduciary is expected to be extremely loyal to the person to whom he owes the duty (the “principal”): he must not put his personal interests before the duty, and must not profit from his position as a fiduciary, unless the principal consents. The word itself comes originally from the Latin fides, meaning faith, and fiducia, meaning trust.

Federal and state law requires that Registered Investment Advisors are held to a fiduciary standard. *This law requires that an advisor act solely in the best interest of the client, even if that interest is in conflict with the advisor's financial interest.*

There is a major distinction between fiduciary standards and suitability standards. The suitability standard requires reasonable grounds for believing that the recommendation is suitable for customers upon the basis of the facts of the customer¹. *This standard is extremely loose and can open the door for conflict of interest or poor advice.*

Opinion Research Corp. /Infogroup found that among 1,319 investors it surveyed, 90% say they want fiduciary rules to apply to brokers and insurance agents. At least 60% of respondents said they assume insurance agents and stockbrokers are already held to a fiduciary duty—which is not true.²

¹Financial Industry Regulatory Authority, or FINRA

²investmentnews.com

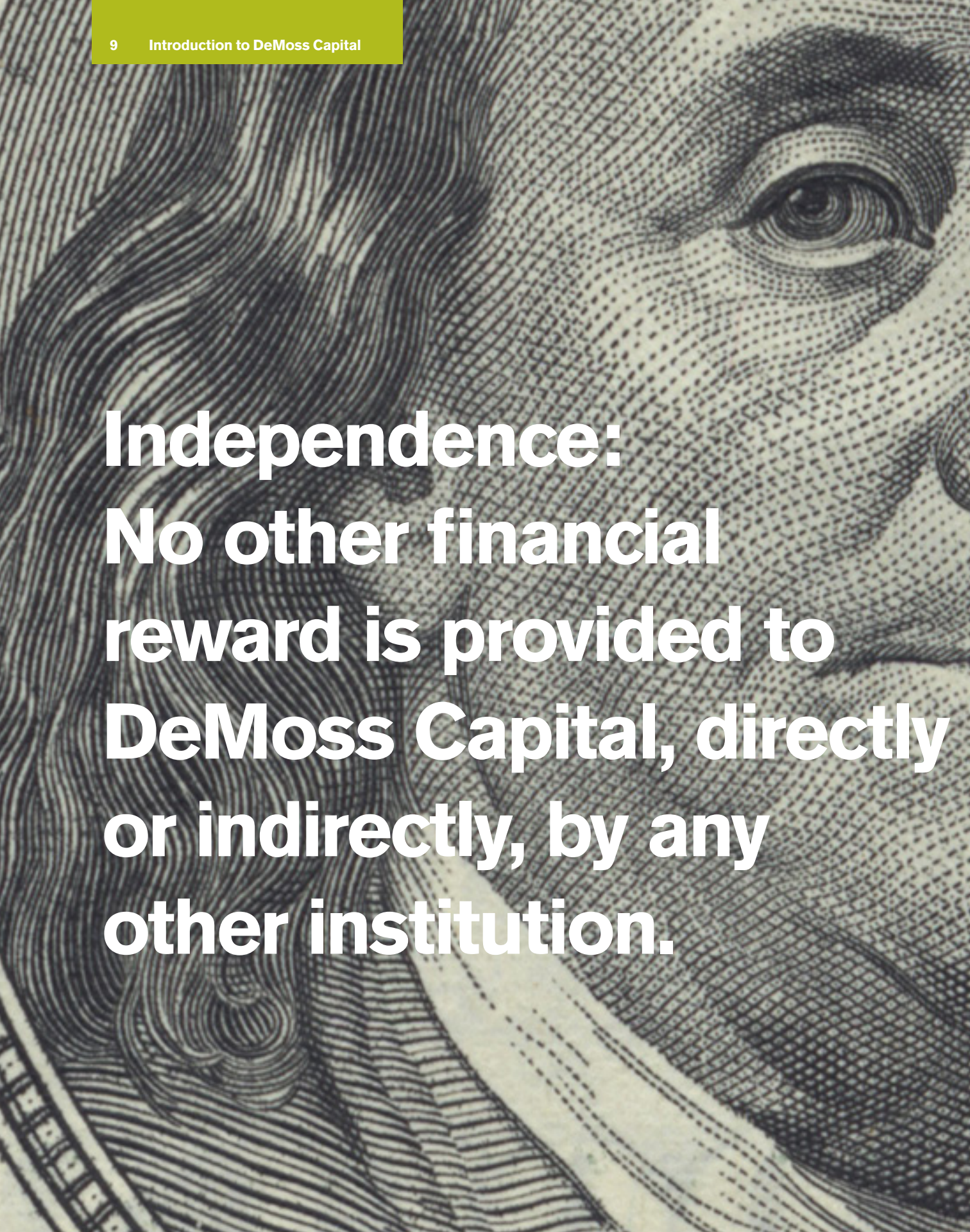


Fiduciary Duty

PROFESSIONAL ROLES	FIDUCIARY?
Physician	Yes
Lawyer	Yes
Registered Investment Adviser	Yes
CPA	Yes
Trust Officer	Yes
Insurance Agent	No
Stock Broker (Registered Representative)	No
CFP® Practitioner	No*
Financial Planner	No*

*Advisors who are affiliated with a broker dealer firm are most likely not fiduciaries. If the client signs a FINRA binding arbitration agreement—required by almost every broker dealer firm—then their advisor would not be held to a Fiduciary Standard by FINRA. CFP® Practitioners and Financial Planners will be held to a Fiduciary Standard if they are also registered investment advisors or associated with a registered investment advisor.

Source: “*Focus on Fiduciary*” from the National Association of Personal Financial Advisors.

A close-up, high-resolution photograph of a US dollar bill, focusing on the intricate patterns and textures of the paper. The image shows the right side of a person's face, including the eye and part of the nose, rendered in a detailed, engraved style. The background is filled with fine, wavy lines and a grid-like pattern, characteristic of US currency.

**Independence:
No other financial
reward is provided to
DeMoss Capital, directly
or indirectly, by any
other institution.**



The advantages of a fee-only advisor

An asset-based fee structure aligns our goals with those of our clients.

As independent managers, we are incentivized to build and protect wealth for our clients. We are not incentivized to sell products or effect transactions, such as a middleman or a broker.

This structure ensures investment decisions are made objectively with the goal of creating an optimal portfolio for clients.

All fees are asset-based or predetermined – DeMoss Capital is never compensated by commission.

Clients are charged a percent of assets under management for advice and ongoing management of investments.

No other financial reward is provided to DeMoss Capital, directly or indirectly, by any other institution.

**Our goal is to partner
with families to create
and implement an
investment plan that
truly is designed
uniquely for each client.**

Consultative Approach

Our goal is to partner with families to create and implement an investment plan that truly is designed uniquely for each client. It is difficult for clients to coordinate communication between tax, estate, and financial planning professionals. Without looking at a plan holistically, we would be bound to make sub-optimal investment decisions.

A primary objective is to ensure that there is a collaboration between all critical parties in the development, implementation, and maintenance of a comprehensive plan.

We also believe in being the best at what we do, which means we work in tandem with independent and competent professionals who have demonstrated a high degree of integrity. We believe it is our job to ensure that everyone is “on the same page“, and that risks are assessed and goals are being reached.

Distinguishing between financial planners and investment managers



FINANCIAL PLANNERS

- Must understand client goals
- Provides retirement planning, estate planning, and risk management for clients
- Typically offers various products intended to achieve the goals of the financial plan
- The products may be mutual funds or other separately managed products
- May have the Certified Financial Planner™ (CFP®) designation

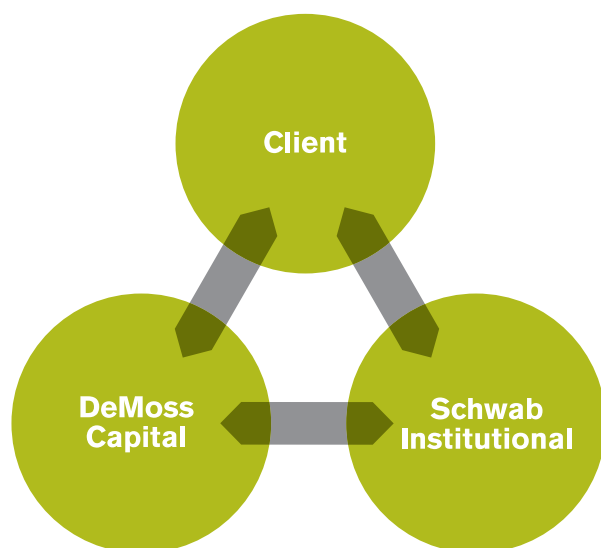
INVESTMENT MANAGERS

- Impersonal, often do not know the client
- Clients are sourced through financial planners/broker-dealers
- Stock or bond pickers with one specific strategy employing a goal of beating a targeted benchmark.
For example: Large cap equity strategy versus the S&P 500 Index
- Composed of portfolio managers and analysts
- Making security and sector investments
- Often have the Chartered Financial Analyst (CFA) designation

DEMOSS CAPITAL ENCOMPASSES BOTH ROLES AND MORE

We combine the personal relationship and the understanding of client goals with our investment management expertise. There is no distinction. With CFP® & CFA credentials, our professionals are equipped to manage our client's wealth from the financial planning phase to investment management.

Independent Advice / National Custodian



CLIENT ACCOUNTS

- Typically custodied at Charles Schwab, Inc. (Schwab).
- Trade commissions are consistent with most discount brokers.
- Clients may view their accounts anytime on schwab.com.

TRANSPARENCY

- All trade activity in client accounts is immediately emailed to client.
- Statements are sent from Schwab monthly, independent of DeMoss Capital.
- DeMoss Capital statements are sent quarterly.

CONTROL

- With a call to Schwab, the client can discontinue DeMoss Capital's access to their accounts at any time.

WHOLE INVESTMENT PICTURE

- DeMoss Capital aggregates all of the client's holdings, held at Schwab or anywhere else, into one statement.

Aggregating all investment accounts



It is essential that investment advisors have the ability to see the client's complete investment picture.

Making decisions without knowledge of investments in outside accounts is a recipe for failure.

As a registered investment advisor, DeMoss Capital provides advice for clients, regardless of where their investments are held.

Using cutting-edge technology, DeMoss Capital is able to aggregate all of a client's account information through an online interface.

Accounts are updated daily, with complete information such as transfers, balances, dividends, etc.

DeMoss Capital provides client consultation and reviews that are focused on the consolidated investment picture.



Internal Team Approach

Traditional advisor/client relationships are structured in a way that the client only deals with one advisor and maybe an assistant.

The DeMoss Capital model employs a team approach.

Each team member leverages the strength of others to provide the client with superior services and performance.

Clients have a primary contact, but may communicate with other team members.

Our team of professionals work with a high level of integrity and proficiency.

CREDENTIALS

Our team members have demonstrated a high degree of diligence and commitment to their professions by earning credentials recognized within the financial planning and investment management industries

The Chartered Financial Analyst designation (CFA)

The Certified Financial Planner™ certification (CFP®)



External Team Approach

We utilize existing relationships with tax and legal professionals, along with the vast resources of Schwab Institutional, to address the most common wealth management issues our clients face, including:

- Insurance needs
- Liabilities management
- Qualified retirement plan
- Stock option strategy
- Business succession planning
- Lifetime gifting strategies
- Charitable gifting
- Asset titling strategies
- Executor / Trustee consulting

For those key disciplines in which we do not possess in-house expertise, we work with strategic partners who have demonstrated a high degree of integrity, expertise, and professionalism.

Our Strategic Relationships include:

- Estate and trust attorneys
- Real estate attorneys
- Corporate transaction attorneys
- Certified Public Accountants
- Philanthropic advisors
- Real estate development companies
- M&A transaction advisors
- Insurance professionals
- Private equity managers



The DeMoss Capital Team



am

Travis Flenniken, CFA

VP, Investments

ROLES AT DEMOSS CAPITAL

As a Vice President of Investments, Travis directly manages client investments and monitors the performance of each account. He works with other DeMoss Capital personnel to make investment decisions and execute trades for client accounts.

Travis also works with other members of the team in formulating Investment Policy Statements for each client. He typically leads the due diligence process when evaluating private equity investment opportunities.

Travis has authored many publications for DeMoss Capital and contributes to the Chattanooga Times Free-Press with a column on personal financial planning and investment management. Travis also serves in an executive role, establishing and executing company strategy. He is on the investment committee, and is a DeMoss Capital board member and shareholder.

PAST WORK EXPERIENCE

Travis's previous roles were with a boutique investment bank and with a business valuation firm, in both roles serving as an advisor to corporate officers and business owners in merger & acquisition transactions. As an advisor, he has worked with both buyers and sellers in M&A transactions, as well as helped companies obtain financing for growth. Prior to his roles in investment banking and business valuation, Travis worked for an investment company providing debt and equity capital to small businesses. In that role, he helped to finance multiple businesses in various industries and provided consulting services to business owners.

His career in investment management began as an analyst in the trust department of a regional bank, and then later with a investment management firm.

EDUCATION

Travis has a B.S. in Finance from the University of Tennessee at Chattanooga and an M.B.A. from the University of Tennessee, Knoxville. In 2001, he earned the Chartered Financial Analyst designation.

COMMUNITY & PROFESSIONAL INVOLVEMENT

Travis is a board member of Bethany Christian Services, an adoption and family services agency. He also serves as a member of the UTC College of Business advisory board. He is a member of the CFA Institute. He and his wife Amber live in Signal Mountain, TN with their two sons and daughter. They are members of North Shore Fellowship Church.





Lee Glover

VP, Private Client Services

ROLES AT DEMOSS CAPITAL

As Vice President of Private Client Services, Lee plays a lead role in managing client relationships. Lee works closely with the rest of the team in all aspects of the investment and financial planning process, focusing on the discovery, strategy formulation, communication, and review phases of the cycle. He is also a DeMoss Capital shareholder and serves on the investment policy committee for the firm.

PAST WORK EXPERIENCE

Prior to joining DeMoss Capital, Lee held the positions of Vice President, Investments and Branch Manager at Raymond James & Associates, Inc. in Atlanta, GA and Chattanooga, TN. During his tenure as manager at Raymond James, he maintained supervisory responsibilities over two offices, encompassing over 12 advisors and client assets in excess of \$500 million.

Lee also served as a relationship manager for a fee-only investment advisory team at Morgan Stanley in Atlanta, GA. Lee and his team of advisors grew their client's investable assets to over \$140 million.

He began his career with The Robinson-Humphrey Company in 1993.

EDUCATION

Lee attended the Stetson School of Business at Mercer University in Macon, GA on an academic and athletic scholarship, where he earned his B.B.A., Business Administration in 1993.

COMMUNITY & PROFESSIONAL INVOLVEMENT

Lee is actively involved with The Oak Project and Habitat for Humanity. He and his wife Julia have two children and live in Lookout Mountain, TN. They are active members of Lookout Mountain Presbyterian Church.

John DeMoss, CFA

President, Chief Investment Officer

ROLES AT DEMOSS CAPITAL

John oversees the strategic direction for the company. He works with clients in developing financial planning strategies and manages client portfolios. John also has a major role in cultivating client relationships.

John works with other DeMoss Capital personnel on the investment committee to formulate investment strategies. He is also involved with due diligence of private equity investments.

PAST WORK EXPERIENCE

John DeMoss' wealth management experience includes managing specialized strategic investments for prominent Chattanooga investors, as well as managing a number of pension and other institutional portfolios.

Building upon a highly successful record of developing proprietary investment models and advising many individual investors and businesses, John launched DeMoss Capital in 2007 to provide wealth management services to families.

John's experience includes business consulting for a variety of industries including the trust department for a local Chattanooga bank, real estate development, restaurants, and private equity funds, among others.

EDUCATION

John attended the University of Tennessee at Chattanooga and earned his CFA Charter in 2006 after successfully completing three annual exams.

COMMUNITY & PROFESSIONAL INVOLVEMENT

John and his wife attend Calvary Chapel and reside on Lookout Mountain with their children. John has been actively engaged in a number of volunteer and community initiatives and currently serves on the board of directors and chairs the finance committee for Bible in the Schools. John also sits on the board of the CFA Society of East Tennessee and is a member of the CFA Institute and the Rotary Club of Chattanooga.





Kay Renneisen Hughes, CFP®

VP, Operations

ROLES AT DEMOSS CAPITAL

Kay works directly with clients in assisting them in the direction of the family's financial goals and objectives. She also leads operations in areas of client account maintenance. Kay is a member of the Compliance Committee.

PAST WORK EXPERIENCE

Kay has over 12 years experience in management and operations and over 10 years experience in finance and investments. She also has experience in bank accounting and financial planning for education. Prior to joining DeMoss Capital, Kay worked for a registered investment advisory firm in Memphis, Tennessee, where she worked in Client Services and was instrumental in their start-up and growth to over \$300 million in assets under management.

EDUCATION

Kay earned a B.S. degree in 1990 with honors in Economics from the University of Tennessee at Chattanooga (UTC) as a Brock Scholar. While there, she served as the Vice President of the UTC chapter of Golden Key Honor Society and as the Vice Commodore of the UTC Rowing Crew. She earned her M.B.A. from the University of Memphis in 2004, and received the Dean's Award for Academic Achievement. She is a Certified Financial Planner™ professional, and she has held a Series 65 securities license since 2005. The Series 65 exam (Uniform Investment Advisor Law Examination) covers laws, regulations, ethics, and knowledge on specific investment products and is required by many states for individuals to act as an investment advisor.

COMMUNITY & PROFESSIONAL INVOLVEMENT

Kay and her husband Scott live on Signal Mountain with their two sons, Roman and Grayson. They attend ChristWay Community Church and enjoy watching Lookouts games, boating on the Tennessee River, feeding sting rays at the Aquarium, and climbing walls at Urban Rocks Gym. She also enjoys building homes with Amor Ministries and Habitat for Humanity. She is a member of both the Financial Planning Association (FPA) and the FPA of Middle Tennessee.

**Unfortunately, not all
financial advisors are
created equal.**

The importance of credentials

Unfortunately, not all financial advisors are created equal. Some are merely investment salespeople, without the education or inclination to offer true, comprehensive financial advice.

Anyone can claim to be a financial advisor. There are no education, experience or ethical requirements to call yourself a financial advisor.

According to the Certified Financial Planner Board of Standards, of the estimated 250,000 people calling themselves financial planners, only about 56,500 have earned the Certified Financial Planner™ (CFP®) mark -- the best-known financial planning designation.¹

The Chartered Financial Analyst designation sets a high benchmark for investment managers. For a professional to earn the CFA Charter, he or she must pass 3 levels of examinations. A record 139,900 candidates enrolled in the CFA program in 2010. There are approximately 87,000 CFA Charterholders around the world, 54% of which are in the U.S.

Only 1 in 5 candidates who begin the rigorous program successfully completes it and goes on to become a CFA Charterholder².

DeMoss Capital professionals have earned the right to use the CFA and the CFP designation.

¹MSN.com, "8 Things your Financial Planner Won't Tell You", Weston

²Bloomberg

CFA Institute

The Board of Governors of CFA Institute confers the right to use the
Chartered Financial Analyst (CFA)

“The CFA designation
has become the
gold standard
of professional
credentials within the
global investment
community.”

designation to
John C. DeMoss Jr.

for fulfilling all the requirements... subject to fulfilling the ongoing obligations of a CFA charterholder.
This charter is issued on the day of September, 2007.

Charter Number 98903



Chair

The Economist

President



Chartered Financial Analyst

THE CFA CHARTER IS AWARDED TO A VERY SELECT GROUP OF INVESTMENT ADVISORS WHO HAVE:

- Mastered a rigorous curriculum that requires approximately 1,000 hours of study over at least three years and have passed three increasingly difficult levels of examination.
- Demonstrated their mastery and expertise in applying this knowledge across a broad range of investment-related subjects. Investors recognize the CFA designation as the definitive standard for measuring competence and integrity in the fields of portfolio management and investment analysis.
- Committed to being held to the highest ethical standards in all dealings with investor clients.

ONLY 1 IN 5 COMPLETE CFA TRAINING

Certified Financial Planner CFP®

CFP® CERTIFICATION REQUIREMENTS

EDUCATION

CFP® professionals must develop their financial planning knowledge by completing a comprehensive course of study offering a financial planning curriculum approved by CFP Board. In addition, a bachelor's degree from an accredited college or university is required to attain CFP® certification.

EXAMINATION

CFP® practitioners must pass a comprehensive 10-hour CFP® Certification Examination that tests their ability to apply financial planning knowledge in an integrated format. The exam covers the financial planning process, tax planning, employee benefits and retirement planning, estate planning, investment management, and insurance.

EXPERIENCE

CFP® professionals must have a minimum of three years experience in the financial planning process prior to earning the right to use the CFP® certification marks.

ETHICS

As a final step to certification, CFP® practitioners agree to abide by a strict code of professional conduct, undergo a background check, and disclose any issues related to professional conduct.

ONGOING CERTIFICATION REQUIREMENTS

Every two years, CFP® professionals must complete a minimum 30 hours of continuing education to stay current with developments in the financial planning profession and to better serve clients.

Our goal is to proactively oversee the financial experience of a select group of families and individuals in order to deliver a higher level of predictability.

DeMoss Capital: Target Client

We aspire to be the firm of choice for uniquely successful individuals and families who appreciate the value of a strategic financial partnership. Although our clients define “wealth” differently, we predominantly work with individuals and families who have acquired a net worth above \$1,000,000. However, the only prerequisite for initiating a relationship with our firm is the willingness to engage in the process of addressing and solving the key wealth management challenges that exist today.

EXAMPLES OF OUR TYPICAL CLIENTS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING:

High-net-worth families seeking a more thorough understanding of the big picture

Individuals selling a business or planning to transition ownership to their heirs and / or employees

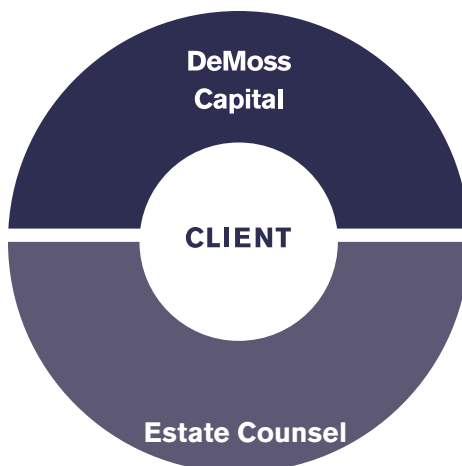
Corporate executives with incentive stock options

Individuals retiring with significant qualified plan assets

People receiving large inheritances seeking help with “sudden money” challenges

TYPICAL ENGAGEMENT

Estate Taxes



SCENARIO

Bob and Karen Smith moved from Oklahoma to Tennessee to be closer to their grandchildren who were living in Chattanooga. They had 2 investment managers in Oklahoma, one was a trust company, the other a brokerage. Their net worth is about \$12 million, of which approximately \$2.5 million were in marketable securities. The majority of their wealth was invested in Oklahoma farm land.

DILEMMA

The Smiths wanted to be closer to their investment manager so they could meet face to face every few months. A significant portion of their investment portfolio was invested in Oklahoma municipal bonds, which offered no tax incentives since they were new residents of Tennessee. Due to the large amount of land holdings, they were very concerned about leaving their children “cash poor and land rich”, when they pass on their estate.

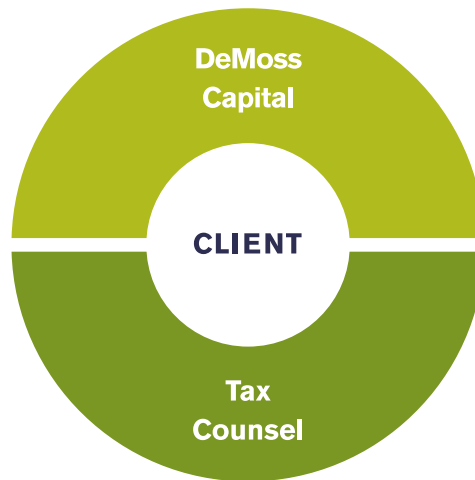
Neither investment manager had written an Investment Policy Statement to guide the investment decision making process. Nor did either investment manager know the composition of their entire investment portfolio, so it was impossible to create a unified investment strategy tailored to the Smith's risk and return profile. There was also a lack of diversification, having the majority of their investment portfolio in large cap domestic stocks.

SOLUTION

DeMoss Capital opened an account for the Smiths and transferred their investments. Having an understanding of the couple's entire financial landscape, DeMoss Capital reallocated their holdings into a more diversified investment portfolio. The company introduced the Smiths to two different estate attorneys to help them with their estate tax concerns. Once the Smiths chose an attorney, DeMoss Capital worked with the Smiths and the attorney to set up various trust accounts and devise strategic gifting strategies that addressed liquidity needs of the estate, reduce the size of the taxable estate, and clarify inheritance goals. In addition, DeMoss Capital drafted an Investment Policy Statement for the Smiths outlining their return and risk objectives, portfolio governance, and appropriate risk management methods.

TYPICAL ENGAGEMENT

Income Taxes



SCENARIO

Jack Marshall is retiring after having faithfully served the same company for over 25 years, the last 15 of which, he served as an executive. His company was publicly traded and has issued stock options to its executives as bonuses for several years. Mr. Marshall also believed in putting his “money where his mouth is”, and continually purchased company stock in his 401(k) for years.

DILEMMA

If the stock was rolled into an IRA, the tax liability is deferred until he takes a distribution. However, the distribution is taxed at regular income tax rates on the fully-appreciated amount. By simply rolling the 401(k) and other qualified assets over, he would be subject to income tax on the full value of the investments.

A majority of Mr. Marshall's net worth was in company stock. He also needed help with his stock options, as his holdings were in both qualified and taxable accounts, some in-the-money and some out-of-the money.

SOLUTION

DeMoss Capital worked with Mr. Marshall's tax advisors in recommending the best tax and investment strategy. His tax advisors suggested taking advantage of the tax break on net unrealized appreciation (NUA). Rather than roll the company stock into an IRA, he transferred the assets to a taxable account with DeMoss Capital. By utilizing NUA, Mr. Marshall will save a significant amount in taxes.

DeMoss Capital worked side-by-side with Mr. Marshall's tax advisors to determine which options to exercise and how to treat each one based on their tax status, while creating and managing an investment plan in the meantime that accounted for his concentrated position.

TYPICAL ENGAGEMENT

Business Owners



SCENARIO

Sam White, Jr. is 50 years old and is the owner of White Enterprises, Inc. His family owns 100% of the company's stock. Mr. White has spent the last several years growing the company and building a strong team of executives to help him take the business to the next level. He has two children, one of which is an executive vice president with the company and may someday replace him as president. The company has 57 employees. It has had a 401(k) in place for 11 years.

DILEMMA

Sam has devoted most of his time, attention, and finances to the success of his company. As a result, much of his net worth is in his company's stock. He had considered selling the company, but believes that the best is yet to come, and that it is poised for significant growth. He has been approached by potential buyers, but none were willing to purchase it at a price he felt was acceptable. He would also like for his son to run the company someday. In addition, selling the company would create a significant tax liability because the company is a "C" corporation.

SOLUTION

DeMoss Capital discussed the option of an Employee Stock Ownership Plan (ESOP). Mr. White could sell at least 30% of the company to an ESOP, which would allow him to take cash out of the company and reinvest in marketable securities. As long as the proceeds from the stock sale are reinvested into marketable securities within 12 months and held at least 3 years, the taxes on the gain are deferred. If Mr. White holds the securities until death, the capital gain from the stock sale is not taxable – essentially a tax-free transaction.

In addition to the capital gain tax advantages of an ESOP, the interest and principal paid to service the debt that is used to purchase the stock is tax deductible for the corporation.

ESOPs also improve employee retention and loyalty. Mr. White would still control the company and could allow his son to succeed him if he desires.

TYPICAL ENGAGEMENT

Retirement Planning



SCENARIO

The Hamilton's are in their mid-forties and had about 70% of their net worth in the husband's company stock. The stock was held by a company-sponsored, taxable custodian account. Due to the stock's appreciation, it had a low basis, which would cause the clients to incur a large tax liability if it was all sold at once. His company also has a pension to which he was entitled at age 59 ½.

DILEMMA

He wanted to leave the company for another position, but wasn't sure how that would affect his pension. The couple needed someone to help them determine what they needed for retirement, diversify their assets, and minimize tax liabilities.

SOLUTION

DeMoss Capital recommended that the Hamilton's make a non-taxable transfer of company stock to a Schwab Institutional account. After reviewing their personal financial statements, DeMoss Capital realized that the couple regularly tithed to their church and made other charitable contributions. DeMoss Capital recommended that the Hamilton's begin gifting company stock with the lowest tax basis to these organizations. The cash that would otherwise be given to charitable organizations was put into a Roth IRA.

DeMoss Capital performed an analysis of the company pension to determine what the client would be forfeiting if he changed jobs. With that information, DeMoss Capital ran a Monte Carlo simulation in order to develop a plan to help the clients retire in 12 years. The plan was incorporated in the Investment Policy Statement (IPS).

The stock with the higher basis was sold at strategic times to limit tax liability. The assets were then invested in a diversified investment portfolio in accordance with their IPS.

An example of a Monte Carlo simulation follows.

Monte Carlo Simulation

What will an investment portfolio be worth in 5, 10, or 20 years? Will there be enough value in the portfolio to last throughout the distribution phase? Will the current investment vehicles provide the return necessary to meet or exceed goals for the portfolio?

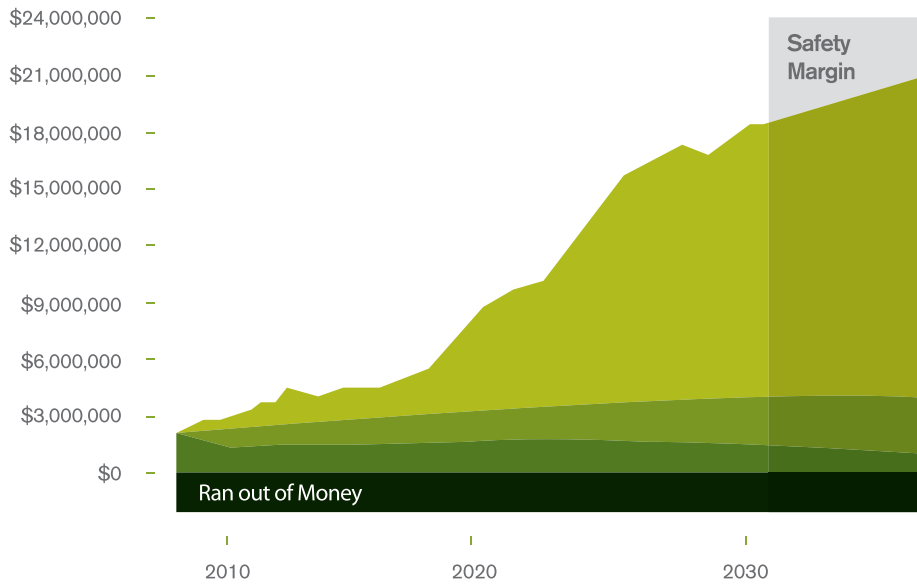
Investment returns, inflation rate, life expectancy, income growth, living expenses are all unpredictable variables that must be considered when planning for the future.

DeMoss Capital typically performs a sophisticated statistical model, called a Monte Carlo Analysis, in the financial planning process. This tool helps estimate, given the relevant variables, the probability that clients will achieve their stated goals.

The analysis takes relevant variables (e.g. investment returns, risk, life expectancy, income) and runs over 10,000 potential outcomes. Each trial run is a fully independent execution of the financial plan, where each year the variables can take on a range of random values. The large number of potential outcomes creates a statistical probability that the financial plan will be successful.

If the analysis demonstrates that the client will fall short of his or her goals, adjustments can be made to improve the probability that the plan will be successful.

Monte Carlo Simulation



Final Result



Trial	Year 5	Year 10	Year 15	Year 20	Year End of Plan
Best	\$3,348,264	\$7,052,665	\$14,052,537	\$17,958,355	\$20,859,409
25th	\$2,227,068	\$2,504,878	\$3,967,291	\$4,661,396	\$5,257,931
50th	\$2,137,720	\$1,915,585	\$2,379,661	\$2,768,606	\$3,215,096
75th	\$1,899,446	\$2,170,953	\$1,765,027	\$1,508,225	\$1,522,420
Worst	\$1,385,392	\$378,707	\$0	\$0	\$0

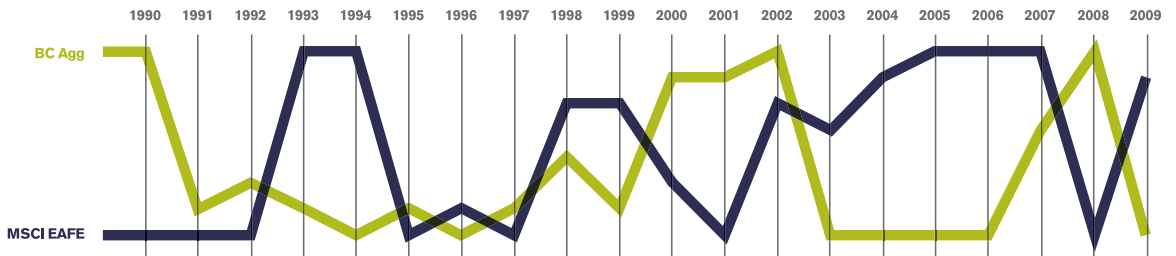
Why is it tough for Do-It-Yourself investors to be successful?

- Lack of knowledge and understanding
- Most DIYs do not understand how to properly diversify their investment portfolio
- Even if they do understand, they likely don't have the time to dedicate
- DIY investing tends to turn into speculation (frequent trading)
- DIYs often fail to focus on long-term investing
- Investment strategy not typically constructed with holistic approach to all assets
- DIYs fail to reallocate investments when necessary
- Investing gets emotional, which tends to cloud logic
- Often DIYs base investment allocation decisions solely on tax concerns
- DIYs tend to chase manager performance
- Lack of access to information
- Many DIYs cannot access institutional investment and alternative asset managers
- Primary or sole source of information is cable TV or newspapers, which tend to sensationalize reports

DIYs often fail to understand the importance of diversification.

The chart below shows annual returns for 2 separate asset classes, U.S. Treasury bonds and international developed country equities.

This chart demonstrates the wide range in returns of various assets classes.



Investment Philosophy

A landmark paper published in 1986 “Determinants of Portfolio Performance”, Brinson, Hood, and Beebower, concluded that asset allocation is the primary determinant of a portfolio’s return variability, with security selection and market-timing playing minor roles.

We believe investment portfolios can be allocated in a way that will decrease volatility, but not surrender the opportunity for a desirable return.

We believe most investment portfolios lack proper diversification.

We believe in long-term, goal-oriented investment management; however we should also take proper measures to manage risk.

We believe that investment portfolios should be tailored to each client based on their objectives.

Efficient Market Hypothesis – asserts that financial markets are informationally efficient. That is, one cannot consistently achieve returns in excess of average returns on a risk-adjusted basis.

We believe that over the long-term, large public markets are relatively efficient and hold little opportunity for active management to make a difference. However, investors have different needs and time horizons which require tactical management of their holdings. We also believe that markets that transact less liquid securities often present opportunities for active management to generate returns in excess of market returns.

Fama and French published “Luck versus Skill in the Cross Section of Mutual Fund Estimates” – examined U.S. mutual fund performance during 1984-2006. The conclusion: Actively managed mutual funds have shown no statistical evidence of enhancing returns.

We believe that most fund managers do not consistently beat the applicable market indices over time... however, some do.

Investment Strategy

OPTIMIZING PORTFOLIOS

We have laid the groundwork for building an optimal portfolio strategy for each client

An “optimal” portfolio means that it maximizes potential return for a given level of risk

Risk is not a bad thing, as long as one can expect at least, an equal amount of opportunity for return.

An optimized portfolio should decrease volatility while maintaining the same opportunity for returns



BUILDING THE PORTFOLIO

We have selected investment categories or “asset classes” that we feel have unique risk and return profiles.

Traditionally, asset classes fall into the following categories: equities, bonds, real estate, commodities, and cash. We slice these categories down further, segmenting each one into a more precise classification based on different factors such as composition, yield, geography, expected volatility, and more.

Each asset class is used as a tool to construct the optimal portfolio.

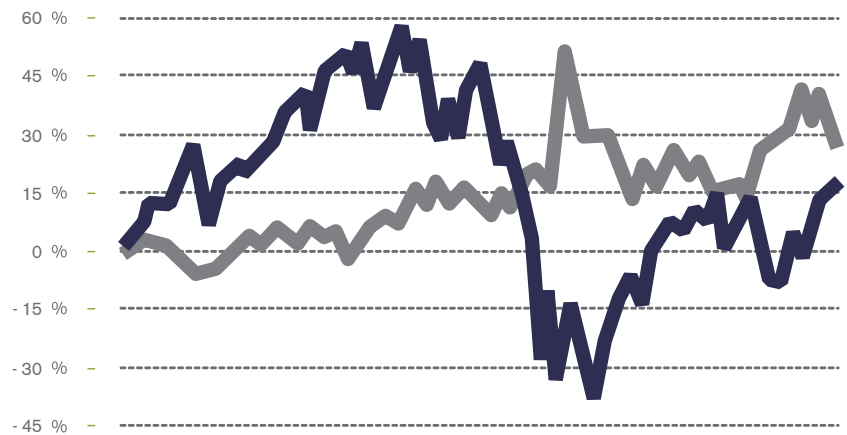
Each asset class is pure (avoiding blended securities) and unique in risk (volatility) and performance characteristics.

We believe that only by segmenting and defining the characteristics of all necessary asset classes, can a portfolio manager begin to construct a truly optimized portfolio.



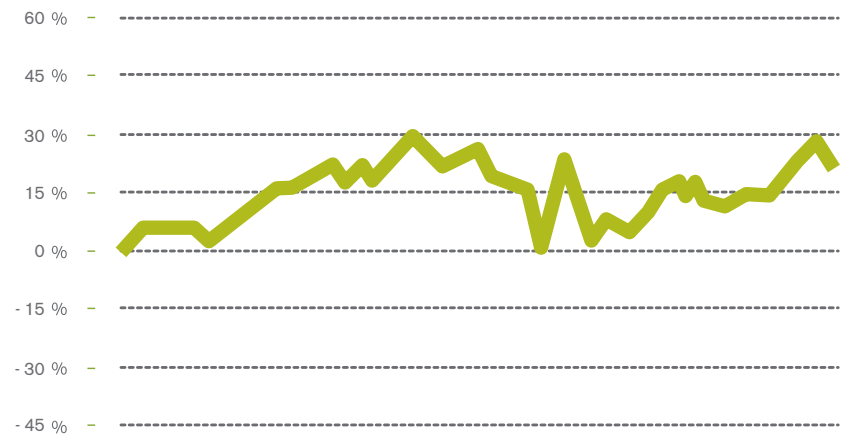
Proper asset allocation can only be achieved if asset correlation is understood.

A portfolio of highly correlated investments will not provide a meaningful reduction in volatility.



Two different securities performance over period.

DeMoss Capital has created models that utilize assets with varying correlations to reduce volatility and maximize returns.



Portfolio of securities 1 and 2 above.

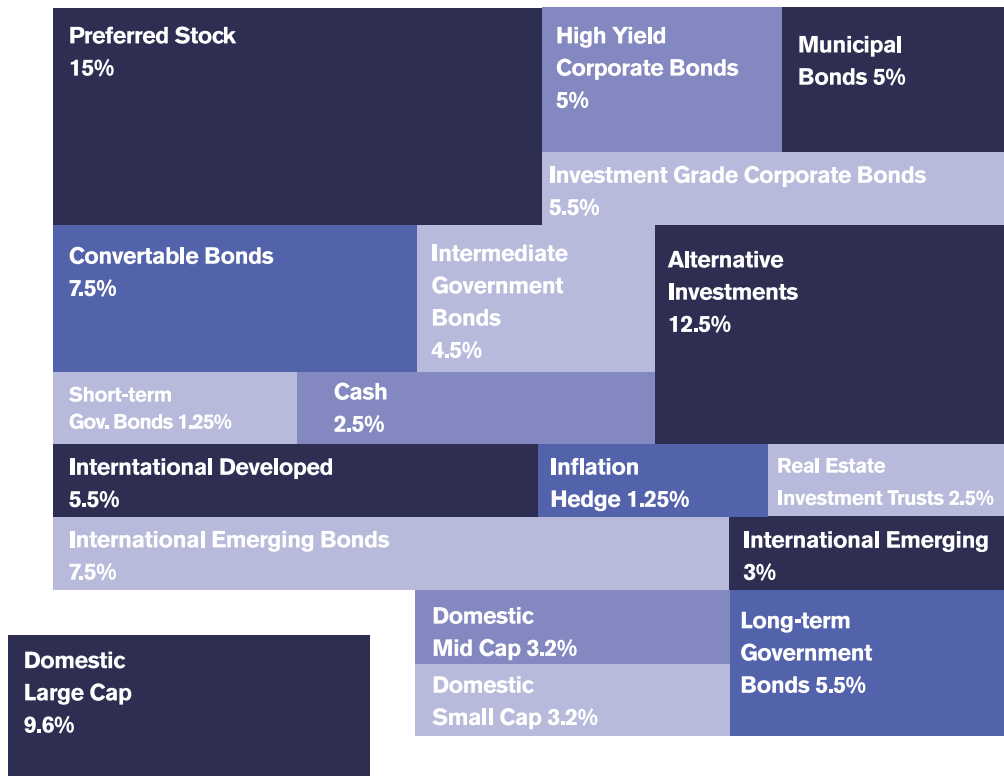
■ = Portfolio Performance

INVESTMENT STRATEGY**Sample portfolio developed for a client with the following characteristics:**

Bob & Sue are both retired and in their 70s. The couple takes a small distribution from their IRAs to supplement social security income. The clients receive Required Minimum Distributions (RMDs) once a year in early December to cover Christmas expenses and yearend giving. In total, they withdraw about 4.3% of their total portfolio annually.

The clients have an annualized return expectation of inflation + 5%. Bob & Sue's tolerance for risk in their portfolio is somewhat moderate. They have a desire to grow the portfolio to pass on to their children, so some volatility is acceptable if it presents the opportunity for an enhanced return.

Investment Strategy



100% of investments (numbers rounded to nearest tenth)

INVESTMENT STRATEGY

Two levels of management

ACTIVE MANAGEMENT

DeMoss Capital performed extensive research and due diligence to find best of breed investment managers for each asset class.

These investment managers have a long-term record of strong performance and low volatility relative to the appropriate index.

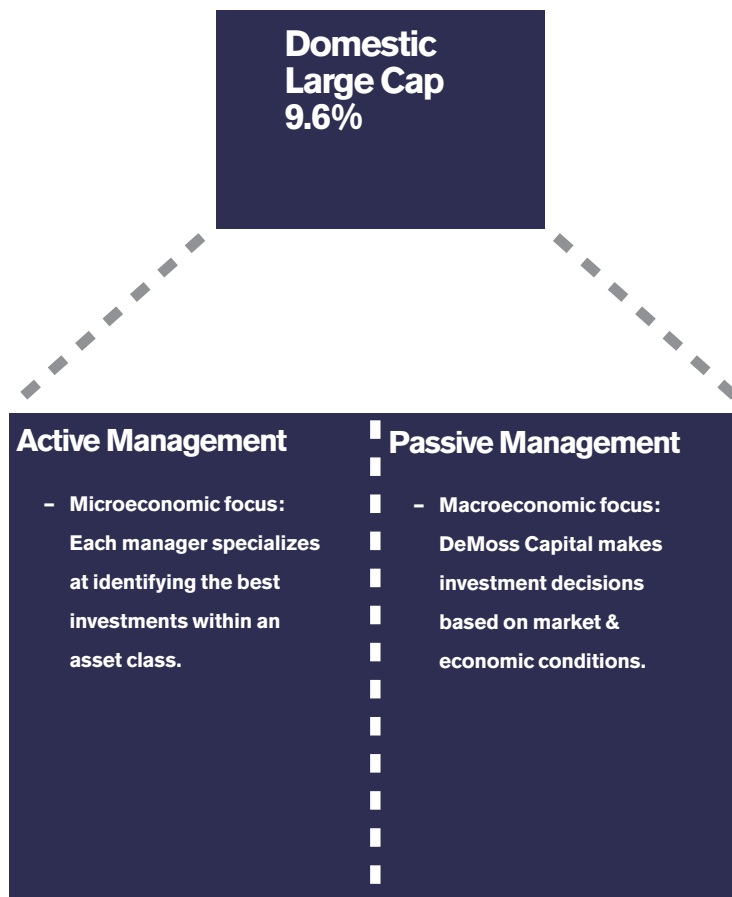
DeMoss Capital purchases institutional class shares to minimize costs.

PASSIVE MANAGEMENT

DeMoss Capital will typically employ exchange-traded funds (ETFs) which track an index as the passive investment vehicle.

ETFs are preferable because they are typically cheaper than other index-based investment vehicles, more liquid, and have certain tax advantages.

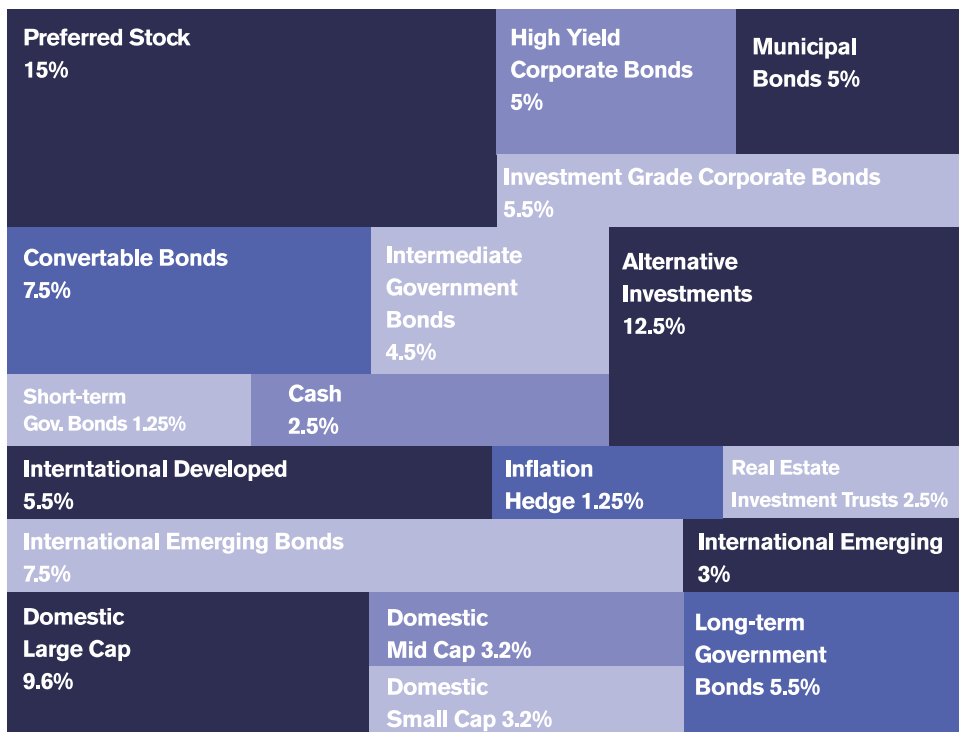
Allocation of active and passive management may vary by asset class.



TACTICAL MANAGEMENT

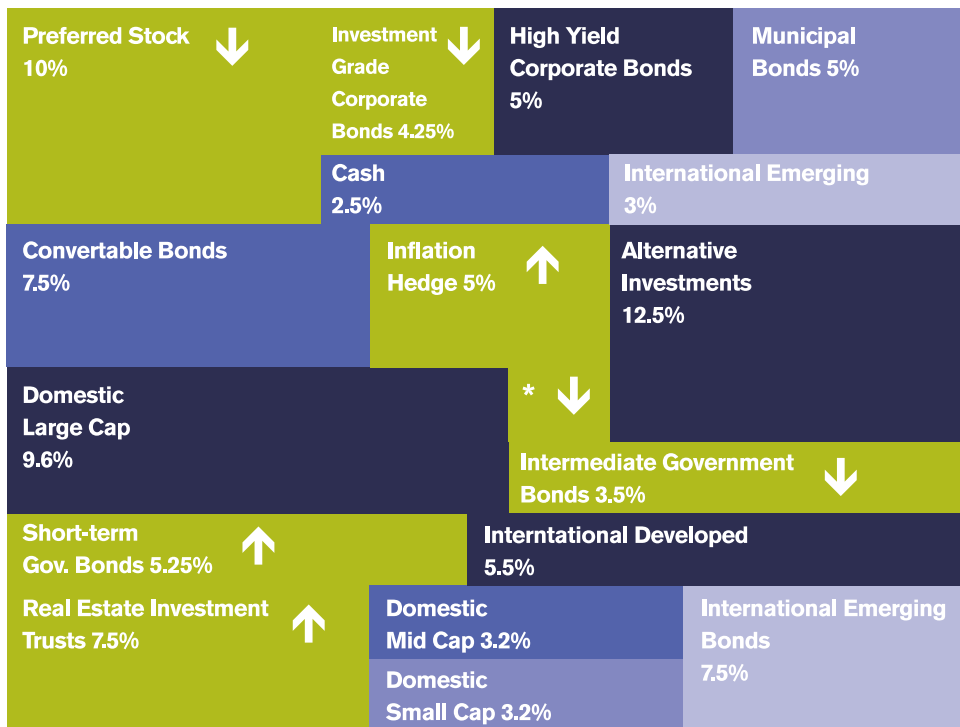
Scenario: DeMoss Capital Believes Threat of Inflation is Imminent

BEFORE



Tactical Rebalance

AFTER



Green = Changes to Portfolio

* Long-term
Government Bonds 0%

MODERN PORTFOLIO THEORY VERSUS REALITY

ASSUMPTION

Investors are rational and risk averse

REALITY

The study of behavioral economics has shown that market participants are not rational. MPT does not allow for “herd behavior” or investors who will accept lower returns for higher risk.

Performance of S&P 500, last 20 years



In 2008 the markets revealed fundamental weaknesses in Modern Portfolio Theory

The challenge is to implement MPT while also preparing portfolios to withstand the next severe downturn

A major flaw in the MPT is that it implies a buy and hold strategy – regardless of market conditions.

MPT and strategic allocations are based on portfolio optimization through diversification, but strategic management alone will leave the investor susceptible to the next market crash.

Tactical responses are needed to bridge the gap between theory and reality.

Tactical portfolio management is the process of identifying opportunities or threats, without abandoning MPT and giving up the benefits of diversification.

ETFs allow us to cost-effectively build optimized portfolios and tactically improve their risk profile.

ASSUMPTION

Correlations are fixed and constant forever

REALITY

Correlations depend on systemic relationships between the underlying assets, and change when these relationships change. Examples include one country declaring war on another, or a general market crash (i.e. 2008). During times of financial crisis all assets tend to become more positively correlated, meaning they all move together. In other words, MPT breaks down precisely when investors are most in need of protection from risk.

ASSUMPTION

All investors have access to the same information at the same time

REALITY

Real markets contain information asymmetry, insider trading, and those who are simply better informed than others.

MODERN PORTFOLIO THEORY VERSUS REALITY

ASSUMPTION

There are no taxes or transaction costs.

REALITY

Real financial products are subject both to taxes and transaction costs (such as broker fees), and taking these into account will alter the composition of the optimum portfolio.

ASSUMPTION

Any investor can lend and borrow an unlimited amount at the risk-free rate of interest.

REALITY

Every investor has a credit limit and few can borrow at the risk-free rate.

ASSUMPTION

All securities can be divided into parcels of any size.

REALITY

Fractional shares usually cannot be bought or sold, and some assets have minimum orders sizes.

Investment Policy Statement

The Investment Policy Statement (IPS) serves as a strategic guide to the planning and implementation of an investment program.

PURPOSE

- Anticipate issues related to governance of the investment program
- Planning for appropriate asset allocation
- Implementing an investment program with internal and/or external managers
- Monitor the results and risk management
- Facilitate appropriate reporting

THE IPS ESTABLISHES ACCOUNTABILITY FOR THE VARIOUS ENTITIES THAT MAY WORK ON BEHALF OF AN INVESTOR

- Investment manager
- Accountants
- Legal advisors

THE IPS SERVES AS A POLICY GUIDE

Offers an objective course of action to be followed during periods of market disruption when emotional or instinctive responses might otherwise motivate less prudent actions.

THE IPS IS A HIGHLY CUSTOMIZED DOCUMENT

An IPS is uniquely tailored to the preferences, attitudes, and situation of each investor.

ADDRESSES GOVERNANCE

Responsibilities assigned for

- IPS review process
- Engaging/discharging external advisors, if applicable
- The determination of asset allocation
- Risk management

SPECIFIES INVESTMENT RETURN AND RISK OBJECTIVES

- Describes overall investment objectives
- States the return, distribution, and risk requirements
- Defines the risk tolerance of the investor
- Describes constraints and other relevant considerations

DIRECTS RISK MANAGEMENT

- Establishes performance measurement accountabilities
- Specifies appropriate metrics for risk measurement
- Outlines the process for rebalancing portfolios

Investment Process

1. Discovery

Understand the clients goals and objectives

2. Strategy

Develop a plan that will achieve goals & objectives

3. Implementation

Team puts plan into action

4. Monitor

Client accounts are monitored daily

5. Review/Communicate

Statements are sent every quarter & client meetings occur periodically

Renew the cycle as needed



Discovery

Understand client's goals &
objectives

DISCOVERY**HOW IT IS
ACCOMPLISHED**

Initial meetings with client are done face-to-face.

The client will do most of the talking.

**WHY IT IS DONE THAT
WAY**

The goal of the first meeting is to get to know the client and to introduce DeMoss Capital. We feel that this is best done in person and perhaps over a cup of coffee.

To listen & understand – We ask the client questions that will help us thoroughly understand the client's goals, his/her disposition on risk, and general understanding of their knowledge related to investments.

DISCOVERY

**We want to educate
all parties involved as
to our process and
strategy.**

DISCOVERY

HOW IT IS ACCOMPLISHED

Most initial client meetings are done with husband and wife. If it is an institutional client, we will ask to meet with more than one member of the investment committee.

WHY IT IS DONE THAT WAY

We have found that it is best to have more than one member of the family (or investment committee) present.

We recognize that some clients might feel overwhelmed when they discuss investments, regardless of how the subject is communicated.

Clients may also have dissenting opinions on subjects. This process ensures everyone has a common understanding of the issues.

We want to educate all parties involved as to our process and strategy.

Strategy

Develop a plan that will achieve goals & objectives

STRATEGY

HOW IT IS ACCOMPLISHED

The DeMoss Capital team will discuss the client's goals, objectives, and risk tolerance and an Investment Policy Statement (IPS) will be drafted accordingly.

Outside advisors, such as the client's legal counsel and tax professionals, will be briefed on the IPS, if appropriate.

WHY IT IS DONE THAT WAY

We believe our clients are best served when we work as a team, focusing on each other's strengths, to accomplish a common goal.

The purpose of an IPS is to have the investment strategy in writing so that the investment team and the client will commit to a disciplined investment plan. It's both a blueprint and a report card.

The client is best served when all of their advisors are aware of their financial goals as reflected in their investment strategy.

STRATEGY

Clients need to know what their income will be and how long it can last.

STRATEGY

HOW IT IS ACCOMPLISHED

If the client is in the distribution phase, the DeMoss Capital team will create an analysis of the client's expected distributions and portfolio balance.

WHY IT IS DONE THAT WAY

Clients need to know what their income will be and how long it can last. DeMoss Capital will run models to calculate expected investment portfolio yield and growth. Alongside the client, we will determine how much principal, if any, is needed to meet current income needs.

Implementation

Team puts plan into action

IMPLEMENTATION

HOW IT IS ACCOMPLISHED

Open necessary accounts with Schwab Institutional

WHY IT IS DONE THAT WAY

Schwab Institutional is our primary custodian. We have chosen to work with Schwab Institutional because of:

- State-of-the-art technology solutions for trading and client reporting
- Comprehensive research tools and resources
- Access to wide range of investment products, such as managed accounts and alternative assets
- Low commission costs to clients

HOW IT IS ACCOMPLISHED

Account transfers are made through Schwab Institutional and are tracked by DeMoss Capital.

WHY IT IS DONE THAT WAY

Schwab Institutional coordinates the movement of assets from the client's previous advisor's custodian. The process usually takes a few days to 2 weeks. We will track the process and review for accuracy.

Often the client does not want to speak with the former advisor. This process allows for the assets to transfer without the previous advisor or broker's approval.

IMPLEMENTATION

**Financial advisors
must see a client's
whole investment
picture in order to give
the best guidance.**

IMPLEMENTATION

HOW IT IS ACCOMPLISHED

Client accounts outside of Schwab Institutional are tracked inside of the DeMoss Capital portfolio management system.

Online passwords and security access is granted to DeMoss Capital by the client. These are encrypted and stored in a secure manner with limited internal access.

WHY IT IS DONE THAT WAY

Financial advisors must see a client's whole investment picture in order to give the best guidance. If the client has accounts held in a company retirement plan, or with another advisor, we can aggregate the data to show the client's entire investment landscape.

DeMoss Capital has the technology to access client accounts held outside of Schwab Institutional through a web interface. This technology provides daily balances, transactions, and positions of all client's accounts, regardless of where they are held.

The client's statements will reflect all holdings, including 401(k)s, certificate of deposits, pensions, etc. in one overall investment picture.



IMPLEMENTATION

HOW IT IS ACCOMPLISHED

Establish automatic deposits or withdrawals from client's personal checking or savings accounts

WHY IT IS DONE THAT WAY

FOR DEPOSITORS

Clients in the accumulation phase typically benefit when contributions to their investment account are automated

FOR INCOME

Many investors in the distribution phase are not taking advantage of available electronic transfers which can dramatically simplify their lives. DeMoss Capital will work with clients to help them plan the amount and the timing of automated withdrawals.

- LEE - CLERK
- DUPLICATE PROTECTION
- IMMEDIATE ACTIVE GROUPS USE ALL NAME
- TRACKING INCOMING EMAILS
 - TRACKING ON CONTACT ONLY
 - OR-
 - HOUSEHOLD (CONTACT LISTING)
- KEY THINGS MAIL MERGE DOESN'T WORK
- COMMUNICATIONS

- (CREATE LETTER TEMPLATE
 - MERGE BY CONTACT (HOUSEHOLD GROUPS)
- CREATE (projects)
- SEARCH (last NAME)
- PRINT (ALL GROUPS)
- UPLOAD (ADULT LISTS)
- ASSIGNING FOLIO (CRM)
- CREATE



IMPLEMENTATION

HOW IT IS ACCOMPLISHED

Meet with external team to discuss implementation

WHY IT IS DONE THAT WAY

We meet with the client's estate planning attorney, insurance agent, accountant, etc. in order to facilitate more complicated transactions or financial plans.

DeMoss Capital regularly joins the client when meeting with other professionals, at the client's request.

This saves time for everyone, especially the client, because it alleviates the burden of having to relay information between professionals. It also ensures that information shared between professionals is accurate and complete.



IMPLEMENTATION

HOW IT IS ACCOMPLISHED

Trades for securities are placed in a Schwab account and/or client's company retirement fund in accordance to the asset allocation strategy drafted in the IPS.

WHY IT IS DONE THAT WAY

The whole investment picture must be considered. DeMoss Capital takes into consideration the client's active retirement accounts. Trades may be placed in a client's 401(k) in accordance to the target asset allocation expressed in the IPS.

Often 401(k) investment options are limited. As a result, DeMoss Capital will research the best available options in the 401(k) that will fit the overall investment strategy.

Monitoring

Clients accounts are monitored daily

MONITORING

HOW IT IS ACCOMPLISHED

Portfolio managers continually review performance of each holding.

WHY IT IS DONE THAT WAY

We believe in the benefit of long-term investing; however, the allocation of a portfolio can change over time with the change in asset values and client objectives.

It is necessary to review holdings and overall allocation to ensure that the portfolio's composition is in accordance with the client's IPS.



MONITORING

HOW IT IS ACCOMPLISHED

For managed funds, portfolio composition is evaluated, looking for any fundamental shifts in investment strategy.

WHY IT IS DONE THAT WAY

We want to monitor each managed fund to ensure 3 things:

STYLE-PURITY

Much thought and analysis was invested in the client's portfolio allocation. Our decision to use a fund manager is based on mandate of the fund. If a manager sways from a fund's mandate in order to chase returns, we will replace the security.

PORTFOLIO COMPOSITION

If a fund increases exposure to a particular security or sector beyond our comfort level, we may need to make changes.

PERFORMANCE

We will not change managers if performance has lagged in the short-term, but we will evaluate why performance was poor, and determine if there was reasonable basis for short-term underperformance.

LEADERSHIP

We evaluate the tenure of management and what personal investment each one has in the fund.

median of 18.1x



MONITORING

HOW IT IS ACCOMPLISHED

Portfolio managers actively evaluate proprietary models to assess the macroeconomic environment.

WHY IT IS DONE THAT WAY

It is imperative that we manage risk for the client. A primary way of managing risk is by actively gauging market conditions by evaluating the economic climate.

When warranted, DeMoss Capital will alter exposure to an asset class in a client's account, either to avoid undue risk or capitalize on an opportunity.

All trades are done in accordance with the client's IPS.

Review/Communicate

Statements are sent every quarter & client meetings occur no less than semi-annually

REVIEW/COMMUNICATE

HOW IT IS ACCOMPLISHED

DeMoss Capital statements are sent to the client quarterly.

Clients receive monthly statements directly from Schwab and can access their accounts online.

WHY IT IS DONE THAT WAY

The statements provided by DeMoss Capital will include a breakdown of each account's holding and a picture of the overall asset allocation; including accounts outside of Schwab, such as 401(k)s.

The statements will show the client's quarterly and year-to-date (or inception date) internal rate of return on the assets managed by DeMoss Capital.

We receive no commissions or kick-backs from the investments that we choose for clients.

HOW IT IS ACCOMPLISHED

Periodic reviews will be scheduled with the advisors and clients, and if necessary, portfolio managers.

WHY IT IS DONE THAT WAY

We are committed to keeping clients informed and working to meet their investment needs.

Periodic reviews with the clients are necessary to review their goals and objectives, as outlined in the IPS.

Without overwhelming the client with too much information, we want them to understand what we are doing and why we're doing it.

If requested, we will meet with the client's advisors to discuss the quarterly review.



**We are committed
to keeping clients
informed while
working to meet their
investment needs.**