

Vaughan Nelson Trust Company

600 Travis, Suite 6300
Houston, Texas 77002
(713)224-2545
www.vaughannelson.com

April 10, 2012

This Brochure provides information about the qualifications and business practices of Vaughan Nelson Trust Company ("Vaughan Nelson Trust", the "Company" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at (713)224-2545. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Vaughan Nelson is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide a prospect/client with the information from which you should determine whether or not to hire or retain an Adviser.

Additional information about Vaughan Nelson Trust, including a current copy of our Brochure, is available on the SEC's website at www.adviserinfo.sec.gov.

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Beginning this year, Vaughan Nelson Trust Company is required by the SEC to deliver to you, annually, a summary of material changes to Form ADV Part 2A (the “Brochure”) which contains information about our firm and our business practices and which is filed with the SEC each year. We previously sent the full Brochure to you in April 2011.

Material Changes

The following changes, which we believe to be material, have been made to the Brochure dated March 31, 2011.

Initial Public Offerings (IPO)

The firm intends to offer a strategy that will be differentiated from the other Vaughan Nelson ‘long-only’ equity strategies as it is designed to have comparatively greater investment flexibility in reaching its objectives through the use of a broader set of instruments including, but not limited to, shorts, convertibles, options and IPOs. Accordingly, the Firm anticipates that all or substantially all IPO opportunities will be allocated to clients in this strategy rather than to other Vaughan Nelson equity strategies which do not otherwise contemplate regular IPO exposure and which do not have such overall investment flexibility.

Performance Based Fees and Side-by-Side Management

Although Vaughan Nelson Trust itself does not have client accounts with performance based fees, Vaughan Nelson, who provides investment advice and investment management services for all Vaughan Nelson Trust accounts, does have performance fee accounts whose fees are based upon investment returns that include both realized and unrealized capital gains and losses.

If you would like to obtain a copy of the updated Brochure dated April 10, 2012 you can either obtain it from the SEC’s website at www.adviserinfo.sec.gov or you can contact Richard Faig, Chief Compliance Officer at (713)224-2545 or rbfaig@vaughannelson.com.

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Item 1 – Advisory Business

Background

Vaughan Nelson Trust is a Houston-based trust company established in 1986 and is wholly-owned by Vaughan Nelson Investment Management, L.P. (Vaughan Nelson). Vaughan Nelson Trust offers trust, custody and management services for institutional, individual and collective/commingled funds. A Vaughan Nelson Trust account includes the custodian function. The Company provides investment management services for equity and fixed income portfolios totaling ~\$240 million as of 12/31/11.

Ownership

Vaughan Nelson Trust is wholly-owned by Vaughan Nelson. Vaughan Nelson is wholly-owned by Natixis Global Asset Management, L.P. (Natixis), which, through intermediate subsidiaries, is part of Natixis Global Asset Management SA, an international asset management group based in Paris, France, that, in turn, is owned by Natixis SA, a French investment banking and financial services firm. Natixis SA is 72% owned by BPCE, France's second largest banking group, with the remaining 28% of Natixis SA being publicly owned, with shares listed on the Euronext exchange in Paris. BPCE is equally owned by two retail banking networks: Banques Populaires (BP) and Caisses d'Epargne (CE). Together, Vaughan Nelson Trust and Vaughan Nelson operate autonomously from other Natixis affiliates providing investment management services independently with their own research, investment team and trading.

Primary Business

The principal business of Vaughan Nelson Trust involves the “bundling” of trust services in connection with the provision of investment advice. The Company provides investment advice for clients investing in equity and/or fixed income securities. The Company normally provides its services in connection with separate accounts where investment decisions are implemented on a fully-discretionary basis in accordance with the client's guidelines and restrictions which typically incorporate a client's overall financial situation. To assist in investing client assets, where appropriate, Vaughan Nelson Trust may utilize its own collective investment and/or commingled trust funds, which allow client accounts, in particular smaller accounts, to be invested in a fully-diversified portfolio.

Performance differences between Vaughan Nelson Trust's clients may occur due to differences in cash availability, investment restrictions, account sizes and other factors as noted above.

Vaughan Nelson Trust's direct parent, Vaughan Nelson, provides investment advice and investment management services for all Vaughan Nelson Trust accounts and collective funds as well as providing office space and equipment. All-services are provided for a fee.

Vaughan Nelson Trust manages and holds title to client assets through its outsourced Qualified Custodian partner, State Street Corporation (State Street). Vaughan Nelson Trust exercises all voting and other rights related to property held, makes payments from the trust accounts to participants, beneficiaries and others in accordance with the provisions of the trust or agency agreement. The company receives and collects income and principal, and distributes taxes and other expenses. As custodian of client securities, Vaughan Nelson Trust will be subject to and

undertake a surprise security count of client securities held at State Street by an independent public accountant on an annual basis.

Discretionary and Non-Discretionary assets as of 12/31/11 are broken down as follows:

Discretionary Assets	\$239,600,000
Non-Discretionary Assets	\$ <u>0</u>
Total Assets	<u>\$246,930,000</u>

Item 2 – Fees and Compensation

Vaughan Nelson Trust's fees for investment advisory services are generally based on an annual rate, as indicated for the strategies listed below, and charged as a percentage of the total market value of assets managed or advised at each calendar quarter end. In certain circumstances, client funds may be invested in mutual funds (primarily Money Market Funds, I-Shares and funds subadvised by Vaughan Nelson), which are subject to their own fees and expenses which are reflected in the net asset value of the security in addition to the explicit fee charged by Vaughan Nelson. The market value of mutual fund investments subadvised by Vaughan Nelson will be deducted from the market value of a client's account prior to the calculation of Vaughan Nelson Trust's management fees. Vaughan Nelson Trust has negotiated fee schedules for certain clients which differ than those shown in the schedules that follow.

Fees are payable in arrears each quarter. An informational invoice will be sent indicating the amount which will be deducted from the account during the month following the quarter end (as Vaughan Nelson Trust also coordinates the custodial function). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. If an account is terminated, the fee will ordinarily be deducted from the account prior to the transfer, or a separate invoice can be provided. The current Vaughan Nelson Trust Company contracts require a 30-day notice of termination.

Strategy Managed

Small Cap Value

1.00% on the first	\$ 25,000,000
.85% on the next	\$ 25,000,000
.75% on amounts over	\$ 50,000,000

Minimum annual fee (inclusive of custody): \$25,000

Value Opportunity (small/mid cap)

.85% on the first	\$ 10,000,000
.75% on the next	\$ 15,000,000
.70% on the next	\$ 25,000,000
.65% on amounts over	\$ 50,000,000

Minimum annual fee (inclusive of custody): \$25,000

Select (focused all cap)

1.00% on the first	\$ 25,000,000
.85% on the next	\$ 25,000,000
.75% on amounts over	\$ 50,000,000

Minimum annual fee (inclusive of custody): \$25,000

Core Fixed Income & Intermediate Fixed Income

.35% on the first	\$ 25,000,000
.25% on the next	\$ 75,000,000
.20% on amounts over	\$ 100,000,000

Minimum annual fee (inclusive of custody): \$25,000

Limited Maturity Fixed Income

.20% on the first	\$ 25,000,000
.10% on amounts over	\$ 25,000,000

Minimum annual fee (inclusive of custody): \$20,000

Municipal Fixed Income

.35% on the first	\$ 25,000,000
.25% on amounts over	\$ 25,000,000

Minimum annual fee (inclusive of custody): \$20,000

Custody fees in addition to the above management fee are:

Up to \$5 million 0.10 of 1%
Over \$5 million 0.05 of 1%

Vaughan Nelson Trust's fees, as outlined above, are exclusive of brokerage commissions, transaction costs, and other related costs and expenses which shall be incurred by the client (See Item 9 – Brokerage Practices for the factors considered in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation/commissions). In addition, the client may incur consultant fees as stipulated within an agreement entered into by the client and such a party.

Item 3 – Performance-Based Fees and Side-By-Side Management

Although Vaughan Nelson Trust itself does not have client accounts with performance based fees, Vaughan Nelson, who provides investment advice and investment management services for all Vaughan Nelson Trust accounts, does have performance fee accounts whose fees are based upon investment returns that include both realized and unrealized capital gains and losses.

Certain Portfolio Managers at Vaughan Nelson manage both Performance Fee Accounts and accounts, including client of Vaughan Nelson Trust, for which Vaughan Nelson receives only an asset-based fee in what is known as side-by-side management.

This side-by-side management and the receipt of performance fees by Vaughan Nelson or its affiliates creates the potential for a conflict of interest, as Vaughan Nelson could benefit to the extent it disproportionately allocated investment opportunities or dedicated more of its management time to those clients with performance fee arrangements. In addition, performance fees may create an incentive for Vaughan Nelson to make investments that are riskier or more speculative on behalf of such clients than the investments it might make in the absence of such performance fees. Vaughan Nelson has adopted policies and/or procedures that are designed to address each of these conflicts resulting in the equitable treatment of all of Vaughan Nelson's clients including Vaughan Nelson Trust. For example, investment decisions for equity strategies are implemented in a predetermined manner (see further discussion in Item 9 - Brokerage Practices) for client accounts pursuing the same strategy. This serves to mitigate the ability to 'favor' performance fee accounts.

See Item 8 – Code of Ethics below for a discussion of conflicts that may arise when Vaughan Nelson manages employee (or proprietary firm accounts) side-by-side with client accounts.

Item 4 – Types of Clients

Vaughan Nelson Trust provides portfolio management services to a spectrum of clients including individuals, high net worth individuals, corporations and corporate pension and profit-sharing plans, charitable institutions and foundations.

Vaughan Nelson generally manages accounts in excess of \$3 million.

Item 5 – Methods of Analysis, Investment Strategies and Risk of Loss

Vaughan Nelson Trust provides both equity and fixed income management (which is performed under an agreement for investment advisory services with its parent, Vaughan Nelson and described as follows). Investing in securities involves risk of loss that clients should be prepared to bear.

EQUITY

Vaughan Nelson's long-only equity investment objective is to seek long-term capital appreciation. Vaughan Nelson's philosophy is to identify temporary information and liquidity inefficiencies in the respective market capitalization universes that provide opportunities to invest in companies at valuations that Vaughan Nelson believes are materially below their long-term intrinsic value.

<u>Strategy</u>	<u>Benchmark</u>
Small Cap Value	Russell 2000 Value
Value Opportunity (small/mid value)	Russell Mid Cap Value
Select (focused all cap > \$1B)	Russell 3000

In addition, Vaughan Nelson intends to begin offering a new strategy that will be managed in a fashion similar to the Select strategy in terms of long equities. However, this strategy will also have an ability to opportunistically utilize a broader set of instruments, such as options, convertible securities, preferred stock, the use of shorting, and debt in expressing its view on a company and reaching its investment objective.

Vaughan Nelson employs a fundamental, bottom-up investment process. They utilize a disciplined valuation methodology combined with fundamental research to take advantage of the inefficiencies in the universes. These inefficiencies enable an active manager who has a disciplined process executed by a highly skilled and motivated team to generate returns in excess of the related benchmark.

Their approach and methodology seeks to obtain a 50% return over a three year holding period from every position in the portfolio. Vaughan Nelson couples this return objective with robust idea generation. In seeking investment ideas for the portfolio, they focus on three distinct investment categories, each of which provides a different avenue by which our 50% targeted return might be generated. There can be no assurance the return objective will be realized with respect to any or all investments. Further, the return achieved may be lower than the return of the strategy's benchmark index. The approach is implemented by a highly experienced, close-knit and incented investment team.

All investments in the equity strategies fall into one of the three distinct investment categories. Vaughan Nelson has formalized the definition of each category and typically uses the following language throughout its marketing material and quarterly reporting:

- Companies earning a positive economic margin (returns in excess of the company's cost of capital), with stable to improving returns (Category A)
- Companies valued at a 50% discount to a specific asset value (Category B)
- Companies with an attractive dividend yield and minimal basis risk (Category C)

Due to their ability to allocate the portfolio across the A, B and C categories, the approach provides an "all weather" aspect to the portfolio enabling them to potentially add returns in excess of the benchmark in different market environments. Thus, the process allows Vaughan Nelson to try and take advantage of the market rather than be subject to any one market trade.

The sustainability of Vaughan Nelson's investment philosophy and what they believe is their competitive advantage is evidenced by the performance histories of their strategies.

Investing in Vaughan Nelson's equity strategies present the following risks (alphabetical):

Equity Securities Risk: The value of the strategy's individual or collective investments in equity securities could be subject to unpredictable declines and periods of below-average performance. Equity securities may include common stock, preferred stocks, warrants, securities convertible into common and preferred stocks and other equity-like interests in an entity. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of the issuer's debt and preferred stock generally take precedence over the claims of those who own common stock.

Foreign Securities Risk (ADRs and foreign companies trading on a U.S. Exchange): The strategy's investments in foreign securities are subject to foreign currency fluctuations and potentially greater political, economic, credit, regulation and information risks. Foreign securities may be subject to higher volatility than U.S. securities.

Liquidity Risk: We may be unable to find a buyer for your investments when we seek to sell them or to receive the price we expect. Liquidity issues may also make it difficult to value a portfolio's investments.

Management Risk: A strategy used by the portfolio managers may fail to produce the intended results or may cause your portfolio to incur losses.

Market Risk: The market value of a security may move up and down, sometimes rapidly and unpredictably, based upon a change in an issuer's financial condition, as well as overall market and economic conditions.

Non-Diversified Strategy (i.e. Select): A Non-diversified strategy is more susceptible to financial, market and economic events affecting the particular issuers and industry sectors in which the strategy invests and could be impacted disproportionately by the poor performance of relatively few stocks or even a single stock and, therefore, may be more volatile or risky than less concentrated investments.

REITs Risk: Investments in the real estate industry, including REITs, are particularly sensitive to economic downturns and are sensitive to factors such as changes in real estate values, property taxes, interest rates, cash flow of underlying real estate assets, occupancy rates, government regulations affecting zoning, land use and rents and the management skill and creditworthiness of the issuer. Companies in the real estate industry may also be subject to liabilities under environmental and hazardous waste laws. In addition, the value of a REIT is affected by changes in the value of the properties owned by the REIT or securing mortgage loans held by the REIT. Many REITs are highly leveraged, increasing their risk. The strategy will indirectly bear its proportionate share of expenses, including management fees, paid by each REIT in which it invests.

Small-Cap Companies Risk: Small-cap companies are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Stocks of these companies often trade less frequently and in limited volume and their prices may fluctuate more than stocks of larger companies.

Stocks of small-cap companies may therefore be more vulnerable to adverse developments than those of larger companies.

Value Stocks Risk: Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks also present the risk that their lower valuations fairly reflect their business prospects and investors will not agree that the stocks represent favorable investment opportunities, and they may fall out of favor with investors and underperform growth stocks during any given period.

Portfolio Turnover / Trading

Generally, each strategy intends to invest for long-term purposes. Increases in a strategy's portfolio turnover will result in greater brokerage commissions and other transaction costs which will be borne directly by the client, thereby decreasing the client's total return. In the past, the Small Cap Value strategy has experienced portfolio turnover in some years that could be considered high (>100%). This results in the realization of gains; some of which may be short-term in nature. We anticipate that each strategy's portfolio turnover rate will vary from time to time depending on the volatility of economic and market conditions. It is impossible to predict with certainty whether future portfolio turnover rates will be higher or lower than those experienced during past periods. Portfolio turnover will not be a limiting factor when each strategy's Portfolio Manager believes that portfolio changes are appropriate.

FIXED INCOME

Vaughan Nelson's fixed income investment objective is to maximize total return while preserving capital. Vaughan Nelson believes active, risk controlled management, founded on research-driven analyses, uncovers relative values that over the long-term produce returns with less risk.

Their universe of fixed income investment options is driven by two factors; (1) client guidelines on allowable investments, and (2) the client's relative benchmark. They invest only in the sectors included within the various investment grade benchmarks.

Vaughan Nelson's competitive advantage is a highly disciplined philosophy and well-constructed investment process that seeks value through security selection, duration positioning, sector rotation and trading efficiencies. The extent to which each of these avenues is used, as well as the duration of the yield curve positioning, is based upon what Vaughan Nelson anticipates is the magnitude and duration of changes in interest rates:

- Security Selection
 - Changing credit quality
 - Out of favor
 - Inefficient pricing
- Sector Rotation
 - Relative value among sectors

- Event risk management
- Historical spread vs. Treasuries
- Economic cycle outlook
- Duration/Yield Curve Positioning
 - Inflation expectations
 - Monetary policy
 - Anticipating yield curve shifts
- Opportunistic Trading Efficiencies
 - Access to inventory of multiple brokers
 - Strong trading relationships
 - Electronic trading conducted only for Treasuries

All of their investment strategies invest in securities of investment grade at the time of purchase. They do not manage high yield/junk or derivative assets. They do not invest in areas where they deem the risk to be too great for our clients' capital (e.g. exposure in '08-'09 market to higher volatility in exposures to CMBs and other problem areas). Vaughan Nelson's strategies consist of liquid securities that allow them to be more nimble throughout periods of market dislocation. Because they only invest in investment grade companies, identifying and understanding all aspects of valuation is the most important factor in their process.

Security Selection -- Vaughan Nelson attempts to exploit market inefficiencies within security pricing through analysis of current and historical valuations to seek issuers and securities where the financial fundamentals are stable/improving and where management has shown them in the past they are focused on balance sheet protection. This research typically allows them to detect improving credit fundamentals and/or inefficient pricing.

Sector Rotation -- They attempt to add value through sector management by varying the portfolio's exposure to corporate bonds, agencies, mortgages, and treasuries, depending on the Portfolio Managers' view of the macroeconomic outlook (taking into account interest rate and credit cycles) and the anticipated position of the yield curve over the next six months. Once it is determined that a security or sector is mispriced, the Portfolio Managers will weight such securities and sectors within the portfolio to appropriately reflect their outlook.

Yield Curve Positioning/Duration -- Vaughan Nelson begins with a top-down review of the interest rate environment. Inputs into this review include business and market cycle data, inflation indicators, yield curve shape, time-risk premiums, foreign exchange and other supply and demand factors. They then apply their analysis to the yield curve to identify "sweet spots" which they believe will offer the best risk-reward tradeoffs. They attempt to anticipate interest rate movements as well as changes to the slope and shape of the yield curve for use within portfolio construction techniques which they believe will benefit from the anticipated changes to the yield curve (i.e. barbell, butterfly, bullet or laddered portfolio structures). They also apply their yield curve analysis to sectors, such as agency and corporate bonds to anticipate the impact on pricing therein.

Duration is a key decision in the active management of fixed income portfolios. In managing risk within portfolios, Vaughan Nelson limits duration exposure to +/-20% of the benchmark (+/-50% for limited maturity portfolios). Typically, duration extension or contraction trades are made when the portfolio managers see a sustainable shift in the yield curve, as opposed to reacting to short-term yield curve changes that may not be significant and/or sustainable.

Opportunistic Trading Efficiencies -- The fixed income markets are not exchange driven like the equity markets. To be successful, a manager must have access to numerous dealer inventories and have the structure in place to make timely decisions. Vaughan Nelson benefits from having a small, highly experienced team that is able to quickly evaluate investment opportunities and risks, allowing for efficient decision making.

Fixed Income Strategies and objectives:

Core Fixed Income & Intermediate Fixed Income: Seeks to generate attractive risk-adjusted returns through investments in U.S. Treasury, government agency notes, government agency MBS and investment grade corporate fixed income securities

Limited Maturity/Short Duration: Seeks to maximize total return while preserving capital and providing for liquidity needs through investments in U.S. Treasury and government agency fixed income securities; maturity range 0-5 years with an average quality rating of AAA (if a client desires, A-rated or higher corporate securities may be added for an average quality rating guideline of AA or better)

Municipal: Seeks to provide high current income and consistent, long-term performance with less risk through active, risk averse management

Investing in Vaughan Nelson's fixed income strategies present the following risks (alphabetical):

Credit Risk: An issuer may fail financially or otherwise be unwilling or unable to meet their obligations to the holder(s) of its securities (you, the client).

Extension Risk: An unexpected rise in interest rates may extend the life of a mortgage- or asset-backed security beyond the expected prepayment time, typically reducing the security's value.

Inflation/Deflation Risk: The value of assets or income from investments may be worth less in the future if inflation decreases the present value of future payments. Deflation risk is the risk that prices throughout the economy decline overtime - the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of your portfolio.

Interest Rate Risk: The value of investments may fall if interest rates rise. Interest rate risk generally is greater for strategies that invest in fixed-income securities with relatively longer durations than for strategies that invest in fixed-income securities with shorter durations.

Issuer Risk: The value of securities may decline due to a number of reasons relating to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

Liquidity Risk: We may be unable to find a buyer for your investments when we seek to sell them or to receive the price we expect. Liquidity issues may also make it difficult to value a portfolio's investments.

Management Risk: A strategy used by the Portfolio Managers may fail to produce the intended result and potentially cause your portfolio to incur losses.

Market Risk: The market value of a security may move up and down, sometimes rapidly and unpredictably, based upon a change in an issuer's financial condition, as well as overall market and economic conditions

Mortgage-Related and Asset-Backed Securities Risk: In the event of a fall in interest rates, securities may be prepaid and result in the reinvestment of the prepaid amounts in securities with lower yields than the prepaid obligations. In addition, a prepayment of securities may incur a loss if the original securities were purchased at a premium. Conversely, there is a risk that an unexpected rise in interest rates will extend the life of a mortgage-related or asset-backed security beyond the expected prepayment time, typically reducing the security's value. These securities also may include default or collection risk associated with investing in the mortgages underlying the mortgage-backed (or other asset-backed) securities. A portfolio's investment in other asset-backed securities is subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

Municipal securities risk: A portfolio may be significantly impacted by events that affect municipal securities markets, which could include unfavorable legislative or political developments and adverse changes in the financial conditions of municipal securities issuers. Economic downturns often result in reduced levels of taxes collected and revenues earned for municipalities. This, in turn, lessens the financial strength of a municipality and increases the credit risk of the securities it issues. Income from municipal securities held by a portfolio could be declared taxable because of changes in tax laws or interpretations by taxing authorities, or noncompliant conduct of a municipal security issuer. A portion of a portfolio's otherwise tax-exempt dividends may be taxable to those subject to the AMT.

Item 6 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Vaughan Nelson Trust or the integrity of Vaughan Nelson Trust's management. Since the founding of Vaughan Nelson Trust and its parent, Vaughan Nelson, there has been no information to disclose that is applicable to this Item 9.

Item 7 – Other Financial Industry Activities and Affiliations

General

Vaughan Nelson Trust is an indirect subsidiary of Natixis which owns, in addition to Vaughan Nelson Trust, a number of other asset management, distribution and service entities. Natixis is part of Natixis Global Asset Management (France), an international asset management group based in Paris, France, that is, in turn, principally owned by Natixis S.A., an investment banking and financial services firm. Natixis S.A. is principally owned by BPCE, France's second largest banking group. The group includes two autonomous and complementary retail banking networks consisting of the Caisses d'Épargne regional savings banks and the Banque Populaire regional cooperative banks. Natixis and BPCE each owns, directly or indirectly, other investment advisers and financial service firms established in various jurisdictions.

Vaughan Nelson Trust does not generally enter into transactions (e.g. trade execution, participation in underwritings, cross trades) with affiliates on behalf of clients. Because Vaughan Nelson Trust is affiliated with a number of asset management, distribution and service entities, the Company may occasionally engage in business activities with some of these entities, subject to Vaughan Nelson Trust's policies and procedures governing conflicts of interest.

Given that our affiliates provide a number of services and investment products, Vaughan Nelson Trust's clients may independently engage a Vaughan Nelson Trust affiliate to provide any number of services, including advisory, custodial or banking services, or may invest in the investment products provided or sponsored by an affiliate. The relationships described herein could give rise to potential conflicts of interest or otherwise may have an adverse effect on clients. For example, when acting in a commercial capacity, affiliates of Vaughan Nelson Trust may take commercial steps in their own interests, which may be adverse to those of our clients.

Given the interrelationships among Vaughan Nelson Trust and its affiliates and the changing nature of our affiliates' businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from Vaughan Nelson Trust's relationships and activities with its affiliates is provided under Item 8 – Code of Ethics.

Investment Advisers

Vaughan Nelson Investment Management

Vaughan Nelson Trust's parent company, Vaughan Nelson is also registered with the SEC as an investment advisor. Vaughan Nelson provides investment advisory services to clients of Vaughan Nelson Trust as well as office space and office services, all for a fee payable by Vaughan Nelson Trust. Vaughan Nelson Trust accounts participate in investment decisions and trade allocations on the same basis as all other client accounts of Vaughan Nelson Trust and Vaughan Nelson within the same investment strategy.

Vaughan Nelson Trust utilizes State Street as an external “Qualified Custodian” and as the pricing provider for Vaughan Nelson Trust’s internal accounting system to ensure consistency between Vaughan Nelson Trust and State Street (the State Street statements are the official records distributed to clients). Accordingly, to the extent a security is held by clients of both Vaughan Nelson Trust and Vaughan Nelson, (which may use a different pricing vendor and/or approach than State Street) a difference in price for the same security may exist for reporting purposes.

Collective Investment Vehicles

Vaughan Nelson Trust has related persons who serve as general partners of limited partnerships, managers of limited liability companies and advisers of private funds. To Vaughan Nelson Trust’s knowledge, none of our clients have been solicited to invest in any of those limited partnerships, limited liability companies or private funds.

Item 8 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

All employees are subject to the restrictions contained within the Vaughan Nelson Trust and Vaughan Nelson (the Companies) Code of Ethics (the Code). Under the Code, employees are required to comply with applicable securities laws at all times and, more specifically, have the responsibility to ensure that they avoid security transactions and activities for their personal accounts which might conflict with, or be detrimental to, the interests of our clients, or, which are designed to profit, by the market effect, of Vaughan Nelson’s advice to its clients, and, that the employees do not damage their reputation or the reputation of the Firm. All employees must acknowledge the terms of the Code annually, or as amended.

The Code covers employees’ personal trading and also incorporates, through reference, the Companies’ policy and procedures with regard to Gifts & Entertainment, Insider Trading, Political Contributions and Privacy.

A copy of the Companies’ Code of Ethics will be provided to any client or prospective client upon request by contacting Mark Farrell, Director of Marketing at (713)224-2545 or mefarrell@vaughannelson.com.

With regard to personal trading, employees of the Companies may own the same securities as those held in clients’ accounts; however, the client would always receive equal or preferential treatment relative to orders undertaken by employees of the Firms. Portfolio Managers may execute buy or sell orders for clients in the same securities in which their personal accounts, other accounts, or accounts of the Companies may have an investment/financial interest or that the Firms have previously recommended to other clients. [Such transactions would not involve the employee’s or Companies’ own securities on a principal basis.]

Under the Code, transactions contemplated by an employee, are subject to preclearance, a black-out period, short-term trading and reporting requirements designed to mitigate conflicts of interest.

Securities having a market cap of less than \$5 billion or whose average trading volume is less than 1 million shares ("small-cap" securities) are subject to preclearance, a 7-day blackout period and an inability to close a position for a profit within 60 days of opening the position. Securities having a market cap greater than \$5 billion and whose average trading volume is greater than 1 million shares ("large-cap" securities) are subject to preclearance, a 1-day blackout period and do not have a time period restriction on closing a position. Employees are prohibited from investing in initial public offerings.

Certain proprietary and/or affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Vaughan Nelson's obligation of best execution. In such circumstances, the proprietary, affiliated and client accounts will share commission costs equitably and each will receive a prorata share of the total order, as necessary, at the same average price.

Vaughan Nelson Trust may manage portfolios on behalf of an employee and the actions taken for these accounts may differ from, or be identical to, the advice given, or the timing or nature of actions taken, with respect to other client accounts. Procedures in place are designed to ensure that employee accounts are managed according to the regulations of the Securities and Exchange Commission, Texas Department of Banking and the Comptroller of the Currency as each may apply.

Related Persons

In connection with providing investment management and advisory services to its clients, Vaughan Nelson Trust and Vaughan Nelson act independently of other affiliated investment advisers and manage the assets of each of their clients in accordance with the investment mandate selected by such clients.

Related persons of the Companies are engaged in securities transactions. The Companies' related persons may invest in the same securities that Vaughan Nelson recommends, purchases for, or sells from our clients' accounts. The Companies and their related persons (to the extent they have independent relationships with a client) may give advice to, and take action in, their own accounts or in other client accounts that may compete, conflict or involve different timing than the advice Vaughan Nelson may give to your particular account.

Since the trading activities of Natixis firms are not coordinated, each firm may trade the same security at the same time or on the same or opposite side of the market, potentially affecting the price, amount or other terms of the trade execution which may adversely affect some or all clients. Accordingly, each client's performance may differ from the results achieved by other current or future clients of Vaughan Nelson Trust. Because certain of the Companies' clients are related persons, the Companies may have an incentive to resolve conflicts of interest in favor of its related person, however, the Companies have established policies and procedures that identify and manage such potential conflicts of interest.

Certain related persons of Vaughan Nelson Trust may engage in banking or other financial services, and in the course of conducting such business, such persons may take actions that adversely affect

Vaughan Nelson Trust's clients. For example, a related person engaged in commercial lending may foreclose on an issuer or security in which Vaughan Nelson Trust's clients have an interest. Vaughan Nelson Trust does not have the ability to influence the actions of its related persons.

Item 9 – Brokerage Practices

Vaughan Nelson Trust, as trustee, has complete discretion to select the brokers to be utilized in the execution of transactions.

Vaughan Nelson's policy, in executing portfolio transactions and selecting brokers or dealers, under the Advisory Services and Secondment Agreement between Vaughan Nelson Trust and Vaughan Nelson, is to seek the best overall execution available. Vaughan Nelson determines the broker or brokers through whom, and the commission rate at which, security transactions for client accounts are executed. The selection of a broker is determined by a combination of factors including: (1) price; (2) quality of execution; (3) results of execution in similar security types; (4) market knowledge, activity in making markets and locating liquidity; (5) ability to execute in desired volume; (6) timeliness and responsiveness; (7) dependability, including ability to settle trades; (8) counterparty's credit worthiness and reputation; (9) creativity including use of program and algorithmic trading capabilities; and (10) research, including the presentation of specific investment ideas to the Firm. Commission levels vary between what is generally paid to brokers from whom they receive investment research in addition to trade execution (generally up to three (3) cents per share; see Research and Soft Dollar Benefits below) and what is generally paid to brokers who provide only trade execution (generally one-half (.5) to two (2) cents per share) depending on the extent of broker involvement ("touch") and the perceived difficulty of the execution. As a result, Vaughan Nelson will pay a commission higher than what another broker may charge in order to receive additional brokerage related services (e.g. executing a more difficult trade) and/or investment research related services from the chosen broker. Individuals responsible for the selection of brokers (as are all employees) are subject to both a Code of Ethics and a Gifts and Entertainment policy designed to prevent and avoid any potential conflicts of interest in the selection of brokers.

Vaughan Nelson's determination of the reasonableness of equity brokerage commissions is determined by Vaughan Nelson's experience and knowledge of the industry as a whole, as well as the needs, characteristics and difficulty of the trade.

Research and Soft Dollar Benefits

Consistent with obtaining best execution, a client account's commissions on portfolio transactions (or a portion thereof) may be used by Vaughan Nelson to pay a broker for eligible brokerage and research services which the broker provides to Vaughan Nelson to aid in the management of client accounts (a practice known as Soft Dollar Benefits). By using client commissions in this way, Vaughan Nelson receives a benefit as the Firm does not need to produce or pay for certain research, products or services used in the management of client accounts. The research may be proprietary

(created or developed by the broker-dealer) or third-party based (created or developed by others). Accordingly, this practice may provide an incentive to select a particular broker based on the Firm's interest in receiving the broker's research or other services rather than selecting a broker based upon our clients' interest in receiving the most favorable execution.

Vaughan Nelson does not attempt to allocate Soft Dollar Benefits received to individual clients, believing instead that the research received is, in the aggregate, of assistance to Vaughan Nelson in fulfilling its overall duty to all clients. Each and every research service may not be used to service each and every account managed by Vaughan Nelson, and commissions paid by one account may apply towards the payment of research services that may not be used in the service of that account. In addition, clients with directed brokerage do not contribute to the cost of this research (see Trade Sequencing in this Item 9 below).

Research eligible for Soft Dollar Benefits provided by brokers would include reports on individual companies, market trends, economic overviews, industry reports, fundamental security data and market statistics which assist Vaughan Nelson in its investment decision-making process. This research is received by mail, fax, electronically via email or directly over the internet for both direct use and to be loaded into software applications that assist with the investment research and security valuation process.

Some products and services, such as FactSet, are used for both eligible (assisting with the investment decision-making process) and ineligible (administrative or marketing) purposes. These products and services are known as being of "mixed use". Vaughan Nelson's compliance department reviews (both initially and at least annually thereafter) the use of "mixed use" products and services to determine the proper allocation between the portions eligible and ineligible for Soft Dollar Benefits. The ineligible portion of "mixed-use" products and services are paid directly by Vaughan Nelson from its own resources.

Examples of products and services acquired through the use of Soft Dollar Benefits include but are not limited to:

Bloomberg Data – provides current financial, economic and political information covering all market sectors. Bloomberg also provides analytics, historical data, up-to-the minute news reports, economic statistics and political commentaries. Bloomberg provides information on market sectors, indices, governments, corporates, mortgages, municipals, currencies, equities, commodities, technical indicators, relative analysis, company news, financial documents, as well as many other items. Bloomberg is considered a "mixed-use" product.

FactSet – is a comprehensive source of financial information and analytics for investment managers providing a broad array of financial, market and economic research as well as fundamental data on thousands of companies and securities worldwide enabling the transformation of raw research data into usable information. FactSet provides:

- Company Analysis
- Economic Analysis
- Fixed Income Analysis
- Ability to Store Proprietary Research Information for Integration into FactSet
- Portfolio Attribution Analysis
- Stock Modeling

In addition, FactSet is used as a real-time source of security pricing for the market or within portfolios or watch lists as well as a vehicle for security charting, news and trading information. FactSet is considered a “mixed-use” product.

Northfield System – provides a sophisticated, user-friendly tool for the analysis and management of risk and return characteristics associated with active management. The software allows the user to research the nature of a problem, formulate a solution and measure the result. The services provided are:

- Risk Analysis
- Portfolio Construction
- Performance Attribution
- Asset Allocation

Reuters Systems – uses the concept of a multi-function terminal, currently enabling the Firm’s traders to use a variety of real-time market data, technicals, statistics, news, and related information in the execution of trades.

Oversight of Soft Dollar Benefits

Vaughan Nelson monitors the use of Soft Dollar Benefits in the following ways:

- They undertake a formal review of all brokers on an annual basis (issues are also addressed as they may arise throughout the year) to evaluate service and executions received. Once meeting service and execution expectations, a broker is then eligible to be used in connection with Soft Dollar Benefits.
- They annually review the continued benefit of soft dollar services to our clients and investment process. They review “mixed use” products for proper allocation.
- They develop an annual Soft Dollar Budget for the upcoming year detailing the proprietary and third-party products or services to be received and the target level of commissions required based upon input received from the equity investment team, trading and compliance. They then review to ensure that the level of commissions required in terms of overall expected commissions for the year will not impede Vaughan Nelson’s ability to seek best execution.
- Each month they track and reconcile commissions transacted at the various brokers and Soft Dollar Benefit payments against the Soft Dollar Budget.

Trade Sequencing and Allocation by Vaughan Nelson

In general, investment decisions are made to purchase or sell the same security or securities for a number of client accounts simultaneously. In this event, the transactions may be added together or “blocked” for trading purposes. However, portfolio transactions for client accounts may also be completed independently from other accounts in order to accommodate additions to, or a withdrawal from, a client account or to re-balance a portfolio to bring it in line with the correlated strategy’s model.

Vaughan Nelson, in its pursuit of best execution, need not delay trading for certain accounts as it awaits reviews and/or approvals for other accounts or, in the case of sub-advised wrap platforms (“limited-direction accounts”), possible share requirement information. Accordingly, portfolios not requiring review, approval or share requirement information (e.g. tax-free accounts, tax-deferred accounts, and accounts with no client restrictions) are blocked together and execution may be initiated while other portfolios requiring a portfolio manager’s review and/or approval or share requirement information associated with sub-advised wrap platforms are obtained.

As portfolios requiring review and/or approval or share requirement information are received, they are themselves blocked and either merged into the original block if, in the trader’s judgment, significant execution has not taken place, or executed as its own block after completing the original block. For one major broker’s Unified Managed Account (UMA) platform, Vaughan Nelson will communicate trade(s) at the beginning of each trading day through an electronic portal in order for the UMA platform to execute the trade(s) itself. This approach may result in Vaughan Nelson trading after, concurrently with, or before the UMA platform.

Notwithstanding the description of aggregation above, the Firm may elect to “auto-execute” an individual trade (or small blocked trade) which constitutes a trade of less than 500 shares of an individual security. In this instance, the trade will be automatically routed through a Direct Market Access system (DMA) and executed at the market price existing at the time the trade was submitted.

While Vaughan Nelson has an obligation to seek best execution for all of its clients (including Vaughan Nelson Trust), Vaughan Nelson believes it has a duty to ensure that those clients that have authorized brokerage discretion to Vaughan Nelson as to its selection of executing brokers are not disadvantaged by those accounts that have restricted Vaughan Nelson in terms of its ability to select executing brokers. The latter would include “limited-direction accounts” (i.e. sub-advised wrap platforms) that require a broker step-out the trade to another broker or “fully-directed accounts” where only a specific broker may be utilized. Vaughan Nelson will block trades for limited-direction accounts with accounts that allow for full trade discretion, to the extent possible, within the limits imposed by the executing brokers selected by Vaughan Nelson in its pursuit of best execution. In circumstances where Vaughan Nelson believes the necessary step-out associated with limited-direction accounts within a block trade would impede its ability to obtain best execution for those clients who have authorized full brokerage discretion, Vaughan Nelson will include only shares associated with limited-direction accounts in block trades to the extent

Vaughan Nelson believes execution quality will not suffer. Any remaining shares will be communicated to the wrap platform advisor for execution/completion.

Individual and block trades may be executed in one day or, if a substantial amount of shares is involved, the transaction may be executed in several transactions over a period of time at varying prices. With regard to block trades, transactions for each blocked security are combined each day by broker, the execution price averaged, and the trades allocated to the relevant client accounts on a pro-rata basis, subject to rounding requirements of up to 100 shares and other de minimis adjustments, resulting in the same average price/proceeds and commissions per share for all trades executed that day.

Directed Brokerage

To the extent an investment recommendation is to be implemented within accounts for which Vaughan Nelson has brokerage discretion and accounts for which Vaughan Nelson does not have brokerage discretion (i.e., fully-directed accounts and limited direction accounts not to be traded by Vaughan Nelson), the investment recommendation will first be executed for Vaughan Nelson's discretionary accounts, as noted above, and then communicated to the corresponding directed broker for execution so as to avoid execution conflict/competition within the marketplace. When a client directs the use of a particular broker-dealer in this way, the Firm may not be in a position where it can freely negotiate commission rates or spreads, or select broker-dealers on the basis of best price and execution. As a result, fully-directed brokerage transactions are executed after blocked trades to avoid execution conflict and may result in higher commissions, greater spreads, or a less favorable net price than would be the case if the Firm were empowered to select broker/dealers to execute transactions for the client's account.

New Client Accounts

Vaughan Nelson will frequently have a need to invest funds related to a new client in order to align the new client's entire portfolio with the model for a particular strategy while there are outstanding block orders for other client accounts that have not yet been filled/completed for particular securities within the strategy. In this circumstance, the new client will be invested to the desired percentage within the model and trade separately from (if a buy), or opposite to (if a sell), any currently outstanding order in order to invest the account on par with the model.

Contributions to Accounts

Clients will frequently make contributions to their accounts and their accounts will need to be realigned with the model for a particular strategy while there are outstanding block orders for other client accounts that have not yet been filled/completed for particular securities within the strategy. In this circumstance, the additional contribution will be either merged into the outstanding orders (for a buy), if in the trader's judgment it will not detrimentally impact the remaining execution of the order or, traded separately from, and/or opposite to (if a sell), the currently outstanding order.

Terminated Accounts / Withdrawals from Accounts

Vaughan Nelson will also have a need to raise funds relating to account terminations or withdrawals and will need to liquidate or realign the holdings, as the case may be, in order to raise the necessary cash while there may be outstanding block orders for other client accounts that have not yet been filled/completed for particular securities within the strategy. In this circumstance, the trades necessary to raise the funds will trade separately from, or opposite to, the currently outstanding orders as the currently outstanding orders would not have the same time priority for execution.

Commission Recapture

Vaughan Nelson has accounts where the client (or Board of Directors/Trustees for an investment company) has instructed Vaughan Nelson to direct brokerage for the client's account to certain broker-dealers that have agreed to refund or to reduce operating expenses in an attempt to defray expenses for the client's account. The foregoing practices are generally subject to the pursuit of best execution by Vaughan Nelson and the guidelines established by, and overseen by, the client (or Board of Directors/Trustees for an investment company).

Trade Errors and Error Correction

Any error identified in trading is investigated to determine whether the error occurred at the brokerage firm or internally at Vaughan Nelson.

In the case of an error by Vaughan Nelson, the error is brought to the attention of the Compliance Officer and/or CEO for resolution. A broker may not assume a loss for which Vaughan Nelson is responsible. Instances where multiple errors have occurred, or been identified, concurrently or in close succession within an account (e.g. 2-3 days) will be netted to determine the resulting gain or loss. Any net loss to a client must be reimbursed. Instances of net gain will inure to the benefit of the client.

Cross Trades

Vaughan Nelson, on behalf of Vaughan Nelson Trust, generally does not undertake cross trade transactions in either fixed income or equities. However, in certain limited instances, Vaughan Nelson may effect a cross trade between two advisory clients of the Companies where a cross trade may be deemed to be beneficial, preferred, and in the best interest of both clients involved. Cross trades may allow a selling client to raise needed cash, adjust sector, maturity, credit or other weights, or address other needs while simultaneously allowing a buying client to invest cash, and make similar adjustments, all with little or no cost, or negative market price impact.

In general, pricing of cross trades is determined based upon readily available market quotation data. For example, when determining the current market price for debt securities that require an average of the highest current independent bid and lowest current independent offer, Vaughan Nelson will obtain at least two independent market quotes, if available, to establish the price for all accounts participating in the cross trade. With respect to investment company clients, Vaughan

Nelson may execute a cross trade in accordance with the applicable policies and procedures adopted by the investment company's Board.

Subject to applicable law, a cross trade may be accomplished either with or without the use of a broker (although no commission may be paid). ERISA, proprietary, or adviser affiliated accounts are prohibited from participating in any cross trade transaction with a client. Cross trades may be difficult to arrange in some circumstances and Vaughan Nelson is under no obligation to effect a cross trade for any client.

Affiliated Underwritings

Subject to applicable law, Vaughan Nelson, on behalf of Vaughan Nelson Trust, may purchase for its clients securities in an initial or secondary offering underwritten by a related person/entity provided such purchases are from members of the underwriting syndicate other than a related person/entity and comply with attendant regulatory requirements. With respect to investment company clients, Vaughan Nelson would participate in affiliated underwritings in accordance with regulations and any applicable policies and procedures adopted by the investment company's Board in addition to those required by regulation. Similarly with respect to ERISA clients, such transactions would be effected in accordance with applicable regulations.

Services Non-Exclusive

Services provided to a client are non-exclusive. The Companies may give advice to and take action in the performance of its duties with respect to any particular client that may differ from the advice given, or the timing or nature of actions taken with respect to other clients. Nothing is deemed to impose upon the Companies any obligation to purchase or sell any security which the Companies may purchase or sell for its own account or for the accounts of other clients if it is undesirable or impractical to take such action for a particular client.

Initial Public Offerings (IPOs)

Vaughan Nelson does not seek exposure to equity IPOs for clients invested in most strategies. In order to invest any clients in an IPO, the Firm will need to have obtained a "New Issue" questionnaire under FINRA Rule 5130 (Rule 5130) which has been completed and signed by each client within a strategy. The "New Issue" questionnaire will identify if a client falls within the definition of the term "restricted person" and is, therefore, not eligible to participate in an IPO. Rule 5130 would also require the Firm to obtain updated representations from clients as to each client's "restricted person" status every 12 -18 months in order to receive information related to any changes in the client's status as a "restricted person" since completing the last questionnaire. Accordingly, there would be significant time involved in ascertaining and updating clients' current status. In addition, due to the time involved, any efforts in this regard would need to be completed far in advance of identifying any specific IPO opportunity in which to invest. Since IPO exposure is not sought on a regular basis for most strategies, the Firm does not seek this information from clients in the normal course. The Firm believes that the costs to comply with Rule 5130 with respect to most of its strategies will in most cases outweigh the benefits of participating in IPO

investment opportunities on a sporadic basis. Accordingly, clients seeking ongoing exposure to IPOs should not expect to obtain such exposure unless they are invested in the strategy described below.

The Firm intends to offer a strategy similar to its Select strategy which, among other differences will seek exposure to IPOs on a more regular basis. The Firm anticipates that clients invested in this strategy will be exempt from the requirements of Rule 5130. This strategy is differentiated from the other Vaughan Nelson 'long-only' equity strategies as it is designed to have comparatively greater investment flexibility in reaching its investment objectives through the use of a broader set of instruments including but not limited to, short sales, convertible securities, options and IPOs. Accordingly, the Firm anticipates that all or substantially all IPO opportunities will be allocated to clients in this strategy rather than to other Vaughan Nelson equity strategies which do not otherwise contemplate regular IPO exposure and which do not have such overall investment flexibility.

All Other Strategies

Should the Firm decide to invest in IPOs for other strategies the Firm will undertake the "New Issue" questionnaire process noted above. Once in place, in the event a portfolio manager recommends clients in a strategy (other than the new strategy described above) should invest in an IPO, the recommending individual will document an analysis of the nature, drivers and risk factors associated with the IPO and evaluate the inclusion of the offering in all equity strategies.

Once participation is determined, the Firm will establish an overall level of interest in the IPO supported by the allocation for each investment strategy. If the Firm does not receive the number of shares requested in an IPO, the shares actually received will be allocated equitably among participating strategies and client accounts on a prorata basis using the overall level of interest for all accounts provided to the underwriter subject to adjustments for de minimus allocations, odd lots, FINRA regulatory requirements regarding "new issues" and other factors. This will normally result in an approximate pro rata allocation among those accounts participating in the offering.

Item 10 – Review of Accounts

Portfolio Management

All accounts are updated nightly with regard to pricing and valuations and are available for review at any time by the portfolio managers familiar with the account. Reviews of accounts are performed by the portfolio and client service managers based primarily upon various triggering events including but not limited to, client transactions and inquiries, investment decisions, client presentations, overall market movements, cash levels, and rebalancing needs. The investment officers also review accounts formally at month end. Taken as a whole, this amounts to a frequent review of all accounts. The nine (9) portfolio and client service managers oversee all client portfolios.

Administration

All accounts are reviewed each month by members of the following group: Senior Vice President, Vice President and Trust Administrator along with the respective investment officer. Cash and positions are reconciled for all accounts daily via computer to State Street, the outsourced Qualified Custodian. Formal market value reconciliations are performed each month. A comprehensive investment and administrative review of each account is performed annually by the Company's investment, administration and operations personnel. These annual administrative reviews are approved by the Board of Directors.

Client Reporting

Portfolio appraisals that include a description of each security with its cost and current market value and a statement of transactions are mailed directly to clients from State Street each quarter. In addition, the Company distributes a summary document typically describing our strategies employed, the current financial, economic and political environment and performance results for relevant periods. Monthly appraisals, transaction listings and other portfolio related reports are available to clients upon request.

Item 11 – Client Referrals and Other Compensation

The Company's parent, Vaughan Nelson, has entered into referral agreements for the solicitation of potential clients. Under the terms of the agreements, the soliciting party will refer prospective institutional clients, consultants and high net worth individuals in return for a percentage (generally decreasing over time) of annual investment advisory fees received from such clients. In all cases, the soliciting party will disclose their relationship with Vaughan Nelson to the prospect or consultant at the time of the referral and, in the case of unaffiliated solicitors, obtain an executed Disclosure Statement to Prospective Clients prior to undertaking account management.

Vaughan Nelson has entered into a referral agreements with NGAM Advisors, L.P., NGAM International, LLC and Reich & Tang Asset Management, LLC (together "Solicitors") whereby Vaughan Nelson has engaged Solicitors to contact directly, or indirectly through representatives of financial intermediaries, institutions and high net worth individuals, including pooled funds, (together "Prospects") and to recommend that such Prospects entertain proposals for Vaughan Nelson's advisory services. Vaughan Nelson generally pays Solicitors a percentage of annual investment advisory fees received from such clients over a period of time.

Item 12 – Custody

As noted in Item 10 – Review of Accounts, portfolio appraisals that include a description of each security with its cost and current market value and a statement of transactions are mailed directly to clients from State Street, our Qualified Custodian, each quarter. Upon your request, Vaughan

Nelson Trust may also instruct State Street to provide you with reports and/or statements more frequently. Finally, on an ad hoc basis, Vaughan Nelson Trust may send you requested information directly (typically from access to the State Street system). In these situations we recommend you, the client, carefully review the statements and/or information received from us and compare them to any official custodial records received from State Street to determine whether account positions and transactions, including deductions to pay our advisory fee, are proper. You should contact us immediately if you do not receive statements from State Street on a quarterly basis. Information we provide may vary from that received from State Street based on accounting procedures (a 'trade date' based statement versus a 'settlement date' based statement), reporting dates, etc.

Item 13 – Investment Discretion

Vaughan Nelson Trust is engaged by clients to provide trust services for their account which includes implementing investment decisions on a fully-discretionary basis through the authority contained in an executed Trust Agreement on the client's account. The discretion provided within the Trust Agreement is subject only to a 'prudent man' standard. However, Vaughan Nelson Trust, where appropriate, may consider client guidelines, restrictions and/or requests (together "Instructions") received by the client in writing in order to manage a client's account with consideration to a client's full financial picture. These Instructions could include, but not be limited to, such areas as permissible cash levels, holdings of low basis stock, etc. Guidelines and restrictions may be amended in writing throughout the relationship as necessary.

Vaughan Nelson's compliance department uses the Charles River Compliance System to enter and automatically monitor client guidelines and restrictions, to the extent possible, on both a pre-trade and post-trade basis. As trades are initiated they are routed and checked by the compliance system. Any potential breach of a guideline or restriction generates an 'alert' that cannot be overridden without approval from the Firm's compliance team.

Item 14 – Voting Client Securities

The discretionary authority for Vaughan Nelson Trust to vote proxies is established through the Trust Agreement where we are named trustee as well as our fiduciary responsibility to ERISA clients under Department of Labor regulations. Accordingly, clients do not retain the authority to vote proxies nor to direct Vaughan Nelson Trust in how to vote proxies associated with their account.

Vaughan Nelson Trust undertakes to vote all client proxies in a manner reasonably expected to ensure the client's best interest is upheld and in a manner that does not subrogate the client's best interest to that of the Firm's in instances where a material conflict exists.

Vaughan Nelson Trust has created a Proxy Voting Guideline (Guideline) believed to be in the best interest of clients relating to common and recurring issues found within proxy voting material. The Guideline is the work product of Vaughan Nelson's investment team and it considers the nature of the Companies' business, the types of securities being managed and other sources of information including, but not limited to, research provided by an independent research firm (Institutional Shareholder Services), internal research, published information on corporate governance and experience. The Guideline helps to ensure voting consistency on issues common amongst issuers and to serve as evidence that a vote was not the product of a conflict of interest, but rather a vote in accordance with a pre-determined policy.

However, in many recurring and common proxy issues a "blanket voting approach" cannot be applied. In these instances, the Guideline indicates that such issues will be addressed on a case-by-case basis in consultation with a portfolio manager to determine how to vote the issue in our client's best interest.

A material conflict of interest may arise in executing our duty to vote proxies for client accounts. We do not envision a large number of situations where a conflict of interest would exist, if any, between the Companies and our clients given the nature of our business, client base, relationships and the types of securities managed. However, if a conflict of interest arises Vaughan Nelson Trust will undertake to vote the proxy or proxy issue in our clients' continued best interest. This will be accomplished by either casting the vote in accordance with the pre-established Guideline, if the application of such policy to the issue at hand involves little discretion on our part, or casting the vote as indicated by the independent third-party research firm, Institutional Shareholder Services.

Finally, there may be circumstances or situations that may preclude or limit the manner in which a proxy is voted. These may include: 1) International Securities – whereby the perceived benefit of voting an international proxy does not outweigh the anticipated costs of doing so, 2) New Accounts – instances where security holdings assumed will be sold in the near term thereby limiting any benefit to be obtained by a vote on the relevant proposal(s), or 3) Small Combined Holdings / Unsupervised Securities – where the Firm does not have a significant holding or basis on which to offer advice.

In summary, the Firm's goal is to vote proxy material in a manner that we believe assists in maximizing the value of client portfolios.

If you would like to receive a copy of the Guideline, including our proxy voting policies and procedures or if you would like to obtain information on how your securities were voted, please contact: Chief Compliance Officer, Vaughan Nelson Trust Company, 600 Travis, Suite 6300, Houston, Texas 77002, 713/224-2545.

Item 15 – Financial Information

Disclosure of Vaughan Nelson Trust's balance sheet is not required as the Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Vaughan Nelson Trust has no financial condition that is reasonably likely to impair the Firm's ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.