

Firm Brochure
(Part 2A of Form ADV)

**TRENDLINE RESEARCH AND MANAGEMENT
CORPORATION**

**d/b/a Trendline Capital Management
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This brochure provides information about the qualifications and business practices of Trendline Capital Management (Trendline). If you have any questions about the contents of this brochure, please contact us at (804) 323-9100, or by email at invest@trendlinecapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about Trendline Capital Management is available on the SEC's website at www.adviserinfo.sec.gov.

(Registration as an adviser does not imply a certain level of skill or training.)

MARCH 8, 2012

Material Changes

Material Changes Since Last Update

On June 1, 2010, Trendline moved its offices from 9020 Stony Point Parkway, Suite 100, Richmond, Virginia 23235 to 4820 Lake Brook Drive, Suite 125, Glen Allen, VA 23060.

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Advisory Business

Firm Description

Trendline was organized in 1988 to provide complete investment management services for individuals and small companies. Trendline was among the first investment management companies in America to offer investment management using no-load mutual funds, a concept developed in the early 1980's by the principals of the firm. Trendline continues to be a leader in providing flexible portfolio management. We seek to help individuals create or maintain wealth and achieve a solid rate of return for their investments. Taking into account each client's tolerance for market fluctuations, we try to achieve this by mixing stock, bond and money market no-load mutual funds and/or Exchange Traded Funds (ETF's) in each client's portfolio in an effort to meet their investment goals. Every portfolio managed by Trendline is tailored to meet the needs of the individual client.

Principal Owners

Principal owners of Trendline are William H. Shelor, Jr. and John H. Smart, II.

Types of Advisory Services

Trendline also offers financial planning services either as a part of the complete client relationship or as an exclusive activity that does not include portfolio management. The financial planning services may include general investment advice offered as a guide to help clients seeking this service to follow through on financial planning advice. Financial planning includes assisting clients in defining financial goals and objectives, compiling pertinent data, analyzing the client's financial situation, providing written recommendations with alternative solutions when possible and in helping the client implement the suggestions. The recommendations may include advice on a client's insurance coverage including life, disability, long-term care and general liability insurance.

Trendline will conduct seminars on a number of investment related topics when requested. The seminars are offered to small groups (up to 50 people) and may cover topics including economic outlooks, retirement planning, education planning, estate planning or other topics related to financial planning as requested.

Wrap Program

Wrap programs involve one advisory firm directing business to a separate investment manager who then selects individual securities for the advisory firm's client. Trendline does not participate in wrap programs.

Assets Under Management (Discretionary and Non-Discretionary)

Assets under management are \$51,939,638 discretionary and non-discretionary as of 12/31/2011.

Fees and Compensation

Description

Fees are billed quarterly computed at one-fourth the annual rate and are usually deducted from clients' accounts by the custodian firm holding the client assets (such as TD Ameritrade, Investor's Security Company, Inc. or any other brokerage firm used to custody client assets). Clients may elect to pay their management fees directly to Trendline by check. The quarterly fee, based on the value of assets under management, is charged in advance. Initial payment of the fee is due at the beginning of the quarter during which the account is opened (Billing quarters-1/1, 4/1, 7/1, 10/1). Fees are negotiable. When an account is opened during a quarter, the fee will be pro-rated based on the days remaining in that billing period.

Fee Billing

The annual management fee, as a percentage of a Client's total assets under management, will be a maximum of 1.95% for the first \$500,000.00.

Maximum fees for total assets under management exceeding \$500,000.00 are as follows:

- 1.75% per annum for the next \$500,000.00
- 1.50% per annum for the next \$500,000.00
- 1.25% per annum for the next \$500,000.00
- 1.00% per annum for amounts thereafter

The above fee schedule may be changed but only with written agreement of Trendline and the client.

Other Fees

Custodian firms utilized by Trendline may assess trading fees on certain buys and sells to some of the securities that Trendline selects for its clients. Trendline does not receive any of those fees. Custodian firms may also charge additional fees if Trendline (or the client) places an order to sell shares of certain mutual

funds within 90 days of the original purchase date. Trendline does not receive any of those fees.

William Shelor and J. Bernard Baird may receive up-front and/or trailing sales commissions from the sale of Variable or Fixed annuities. Both Mr. Shelor and Mr. Baird, as Registered Representatives of Investors Security Company, Inc., are licensed to offer annuities. All fees assessed as a result of the sale of an annuity are disclosed by Mr. Shelor and Mr. Baird in advance of the sale of an annuity.

Fees for consulting and financial planning are based on hourly work for clients by a Financial Planner or Planners and on the complexity of the work. A cost estimate is provided to the client in advance based on a fee of up to \$250 per hour. Financial Planning fees are to be paid by check from the client made payable to Trendline Capital Management.

For financial plans, up to half the cost estimate may be requested as a retainer when a new client brings in his or her financial information with the balance billed after the plan is completed. The unused portion of this retainer may be refunded if the plan should not be completed.

Expense Ratios

Trendline utilizes primarily no-load mutual funds and ETF's for investment management purposes. All mutual funds and ETF's incur expenses as part of their normal business practices of buying and selling securities they may hold, compensating fund managers and covering marketing and operating activities. Such fees are deducted directly by the mutual fund companies or ETF companies on a daily basis as those companies calculate their daily share prices. Trendline does not receive any of those fees.

Past Due Accounts and Termination of Agreement

All advisory contracts may be cancelled by either the client or Trendline. Advisory fees are payable for 30 days after receipt of a written termination notice from the client. All prepaid fees in excess of the 30 days may be fully refunded to the client if requested.

Performance-Based Fees and Side-by-Side Management

Sharing of Capital Gains

Trendline does not charge Performance-Based fees.

Types of Clients

Description

Trendline's clients consist of individuals, corporations, and pension and profit sharing plans.

Account Minimums

The minimum dollar amount for a managed account is typically \$125,000. Trendline considers grouping multiple client accounts to satisfy this minimum (for example, a prospective client may have a SIMPLE IRA, Roth-IRA, Rollover-IRA, Brokerage account, accounts for children, etc. that collectively meet the minimum). Trendline may waive the minimum requirement at its discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Trendline manages investment portfolios in an effort to minimize risk by spreading client assets among a number of different areas of the investing universe. This approach can be referred to as "Asset Allocation". Asset allocation methods are intended to allow an investor to first identify goals and objectives for investing and then attempting to achieve investment results that meet those goals while exposing the investor to the least amount of market risk necessary to achieve those results over a long time period.

It is important to know that investing in securities involves risk of loss and all clients should be prepared for the potential of loss.

Investment Strategies

Trendline utilizes an active asset allocation policy to direct investments for our clients. Trendline breaks the stock market into segments such as Large Cap, Mid Cap and Small Cap categories for the U.S. market along with Large Cap, Mid/Small Cap and Emerging Market categories for Foreign stock market exposure. In addition, we divide the U.S. and Foreign bond markets into Government, Investment-Grade Corporate, High-Yield Corporate and Emerging Market Debt categories. We may also use investments designed to act as hedges when we feel it is in the best interests of our clients. Those areas may include funds that move in the opposite direction (inverse) of a particular market index or sector (short funds), commodities funds and precious metals funds.

Trendline uses several research sources to create our portfolios. Our belief is that we can use both technical (which measures the strength and direction of moves in the market) and fundamental (which measures items like price-to-earnings ratios, book value, Alpha, Sharpe ratios and Beta) indicators to most effectively manage client investments. Alpha, Sharpe and Beta are measures that provide indications of how much risk or return one should expect from a particular investment when compared to its general area of the market.

Research services like Morningstar, Standard & Poor's, Lipper and Reuters provide data that Trendline reviews to help select mutual funds that we use for clients. We determine specific criteria (levels for the measures mentioned above - Alpha, Sharpe, Beta, etc.) and use Morningstar to screen a particular group of funds to provide us a list of funds that meet those criteria. To meet our criteria,

we prefer to select funds having Alpha and Sharpe measures that are higher than the average for their category, and Beta measures that are lower than the average for their category. We believe this will help us utilize funds with a history of higher performance and lower risk than other funds within their category. An example of the screening criteria:

Category Mid-Cap Value	Alpha Above Avg 20%, Top 20%	Beta Avg 20%, Below Avg 20%	Sharpe Ratio Above Avg 20%, Top 20%
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The result of searching for these criteria (at the time this screen was run) reduced a universe of 376 Mid Cap Value funds to 22 funds that met the criteria. From the list of 22 we further analyze the funds to screen for performance, fees, fund manager experience and availability before eventually choosing our preferred fund for that category. We run this screen for every investment category in which we wish to have an allocation.

Once a fund has been selected through the fundamental review, Trendline uses a technical analysis program developed in-house to help us determine when to buy or sell a given fund. The program identifies trends in the movement of prices of funds we have targeted for use (whether mutual funds, individual stocks or ETF's). The program reviews the most recent 4 years of price data, moving averages (for example the 50 day moving average price), channel breakouts (for example, if a stock or fund normally trades in a range of \$10.00 per share to \$12.00 per share, this "channel" would be broken if the price went above or below that range) and other indicators to determine trade signals. An example of the output of the program follows:

A0*****	2 Wk			Date	Signal
UCO & SCO	Crude Oil 2x	Last tuned	1/11/11	12/31/10	Buy
Current Position	Long UCO	Purchase Date	1/11/11	1/3/11	Sell
Current Yield	0%	Total Yield	420%	1/4/11	Sell
Years	2.1	Avg Yield/Yr	197%	1/5/11	Sell
#Trades	62	Yield/Trade	14%	1/6/11	Sell
#Trades > 10 days	40	#Trades/yr	29	1/7/11	Sell
		%Trd<10			
#Trades < 10 days	22	days	35%	1/10/11	Buy
Avg Length Trds>10		Length Cur			
dys	11	Pos.	0	1/11/11	Buy

Disciplinary Information

Legal and Disciplinary

Trendline has experienced no disciplinary issues during the past 10 years.

Other Financial Industry Activities and Affiliations

Financial Industry Activities/Affiliations

Mr. Shelor is a registered representative of a registered Virginia broker-dealer, Investors Security Company, Inc., and is a licensed insurance agent in the Commonwealth of Virginia.

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

Code of Ethics

The employees of Trendline have committed to a Code of Ethics that is available to current and prospective clients upon request.

Participation or Interest in Client Transactions

Trendline and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Trendline Capital Management *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of Trendline Capital Management is John H. Smart, II. He reviews all employee trades each quarter. His are reviewed by Bryan K. Berry. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades should not affect the securities markets.

Trendline has adopted provisions for monitoring and restricting trading on those securities upon which the Adviser and/or employees may have non-public information.

Brokerage Practices

Selecting Brokerage Firms

Trendline typically uses a nationally well-recognized brokerage firm to provide custody for client assets that it manages. Trendline does not receive any fees from the brokerage firm utilized. Trendline recommends firms as custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. Trendline currently primarily recommends TD Ameritrade as a custodian firm but has used other custodian firms in the past including Charles Schwab & Company.

Mr. Shelor and Mr. Baird may use certain Insurance companies to custody annuities for some of their clients who use annuities.

Best Execution

Trendline reviews the execution of trades at each custodian each quarter. Trading fees charged by the custodians are reviewed on a regular basis. Trendline does not receive any portion of the trading fees.

Soft Dollars

Trendline does not receive benefits from any firm as a result of directing funds to a particular investment or custodian firm.

Order Aggregation

There are numerous occasions on which Trendline places “block” trades for our clients. Trades like this may occur when Trendline has a group of client accounts that Trendline has determined are all suitable for the same security. By placing block trades, Trendline is able to average the transaction price so that all clients receive the same price for a particular trade. This can be for buy orders or sell orders.

Brokerage for Referrals

Trendline does not participate in any “pay for referral” services through any of the custodial firms holding accounts for our clients.

Review of Accounts

Periodic Reviews, Regular Reports

Managed client accounts are reviewed on a regular basis by the advisors serving those accounts. While the review may be as often as daily, it is done in writing on at least a quarterly basis. The quarterly reviews are provided to all clients by mail.

Review Triggers

The reviews are done to make sure that accounts remain allocated as desired and to review investment performance. For accounts with systematic distributions (many clients receive regular distributions from their accounts for various reasons), reviews take place by an account administrator on a monthly basis to make sure that cash is available to cover the distribution.

Client Referrals and Other Compensation

Incoming Referrals

Trendline may receive client referrals from other investment advisors, financial planners, insurance agents, and other financial service industry professionals. Trendline neither pays for nor receives any additional fees for referrals.

Custody

Account Statements

Clients of Trendline will receive periodic statements from the custodian firm holding their accounts (like TD Ameritrade or Investors Security Company, Inc.). Statements are mailed by those firms at least annually but more frequent mailings are normal (monthly or quarterly are normal mailing periods). Clients will receive written trade confirmations from the custodial firms holding their accounts each time a trade is placed (buy or sell) within their account. The confirmation will detail what investment was sold, how many shares of the investment were traded and the dollar value of the transaction.

Clients should always review the statements they receive from their custodial firms and should compare the statements sent by the custodial firm to the ones mailed by Trendline.

Investment Discretion

Discretionary Authority for Trading and Limited Power of Attorney

Trendline, under its advisory agreement with each client and by limited power of attorney, selects which securities to buy and sell and the amount of each security which will be bought or sold. Our advisory contract with each client provides full details of this discretion.

Clients may direct Trendline to place specific buy or sell orders in their accounts and Trendline will place those requested orders. In the event that this occurs, clients must sign a waiver indicating that the buy or sell order was at their discretion and not directed by Trendline.

Voting Client Securities

Proxy Votes

Publicly traded companies must issue Proxy voting statements in order to give shareholders a chance to vote on matters that involve the way that particular company is managed or operates. Trendline will accept responsibility for voting proxies for clients that wish to have us do this for them. Clients may retain the ability to vote proxies themselves. We maintain written policies and procedures on how we handle researching, voting and reporting each proxy vote. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest, and maintain relevant and required records. We provide clients with annual mailings of our policies for voting proxies. Clients may also request a copy of our policies at any time.

Financial Information

Financial Condition

Trendline deducts management fees on a quarterly basis (once every 3 months) in advance of the coming quarter. Our advisory agreement does not allow for advance billing of more than 3 months.

Trendline maintains discretionary authority of client accounts but does not maintain custody of client assets.

Trendline has not been the subject of a bankruptcy petition at any time during the past ten years.