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This brochure provides information about the qualifications and business practices of Veritrust Financial, LLC. If you have any questions about the contents of this brochure, please contact us at 512-448-0647. 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 Veritrust Financial, LLC also is available on the SEC's website at www.adviserinfo.sec.gov Registration of an Investment Advisor does not imply any level of skill or training.

Item 2: Material Changes

The Material Changes section of this brochure will be updated annually when material changes have occurred since the previous release of the Firm Brochure. The last annual update was March 2011.

This update includes changes to the number of accounts we manage as well as our assets under management. In addition we are in the process of launching a new Model Portfolio option for our advisors to use which will be managed by Nick Edwards. More information regarding this program is available under Item 4 Advisory Business and Item 5 Fees and Compensation.

Pursuant to new SEC Rules, Veritrust Financial, LLC will ensure that Clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the business' fiscal year which is December 31st

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Item 4: Advisory Business

Veritrust® Financial, L.L.C. (“Veritrust,” “Our,” “We,” “Us”) provides discretionary and/or non-discretionary investment advice and portfolio management services on a continuing basis, including the appropriate allocation of managed assets among cash, equities, and bonds with the selection of specific securities which will provide proper diversification and help meet the client's stated investment objectives. In effecting services, we may advise directly and/or invest clients' funds through other investment advisors. The various investment programs we offer are designed to meet the specific needs and risk tolerance of each client. Our programs may focus on no-load mutual funds, closed-end mutual funds, load mutual funds, exchange traded funds, various stocks and bonds, third party manager selection, variable annuity sub-accounts and other types on investment processes depending on the selected program.

Veritrust Financial has been in business since 2001. The firm is owned by VFS Financial Services, Inc. Veritrust manages client assets of \$18,785,224 on a discretionary basis and client assets of \$44,156,921 on a non-discretionary basis. These amounts were calculated as of the close of business on March 15, 2012.

FINANCIAL PLANNING

Veritrust provides financial advisory planning services including comprehensive financial planning, fact-finding, goal setting, estate tax strategies, wealth distribution, insurance planning, planning for a particular purpose and plan implementation services.

Clients will be required to furnish certain records and documents to us for review. These documents may include tax returns, current financial specifics including W2s or 1099s, information on current retirement plans and insurance provided by your employer, mortgage information, insurance policies, statements reflecting current investments in your retirement and non-retirement accounts, copies of your wills or trusts, and other documents that may be deemed pertinent.

Upon receipt of these documents, we will review the client's current financial situation and make recommendations based on their current situation, expectations and investment objectives and investment time horizon. At the same time the client's risk tolerance (or ability to live comfortably with risk in association with the investments) will be taken into account. A written plan may then be presented, along with suggestions to improve the client's current financial situation and help achieve client's investment goals.

Financial planning may cover any or all of the following areas:

- Retirement planning
- Education planning
- “Windfall” planning
- Asset allocation
- Estate planning
- Special needs planning
- Asset management
- Tax planning

- Insurance needs
- Other areas of importance to the client

The financial plan chosen by the client may be “comprehensive” or “modular” in structure. A comprehensive plan would focus on all areas that are pertinent to the client. A modular plan would focus on only one or two areas of particular interest such as retirement or education planning. Other areas of concern to the client may be reviewed or outsourced to other experts for their review (only with prior approval of the client). The financial plan may include specific financial and investment strategies as well as specific product recommendations, including equity, fixed income and insurance products.

At no time is the client under any obligation to implement any or all of the suggestions as outlined in the financial plan. Implementation is solely at the client’s discretion. Clients have the option to purchase investment and insurance products recommended by Veritrust though other brokers and agents unaffiliated with us. It is the responsibility of the client to notify us of any changes to their financial situation or objectives that may impact the focus of the financial plan. We may only help the client with implementation of the financial plan through our relationship with Veritrust Financial, the broker-dealer.

IMPLEMENTATION

The investment adviser representative will inform the client and obtain his/her consent before proceeding. If the client chooses to have the investment adviser representative implement the financial plan, the investment adviser representative may establish a fee-based account for the client as detailed in this document. A financial plan may be created for a client where the investment adviser representative does not charge a fee for the service or does not implement the financial plan through a fee-based account. In those instances, the investment adviser representative will receive commissions through Veritrust as a Broker/Dealer.

MONEY MANAGER SEARCH AND MONITORING:

We may determine that opening an account with a professional third party investment manager is in your best interests. These programs allow you to obtain portfolio management services that typically require higher minimum account sizes outside of the program. The money manager selected under this program will have discretion to determine the securities to buy and sell within the account, subject to reasonable restrictions imposed by you. We will not manage, or obtain discretionary authority over the assets in the accounts participating in these programs.

Due to the nature of these programs, the independent money manager is obligated to provide you with a separate disclosure document. You should carefully review this document for important and specific program details and disclosures, including pricing. Fees for third party manager programs may be higher or lower than if you obtained the program directly from the manager.

Veritrust may perform management searches of various third party money managers, who may pay referral fees to Veritrust, on behalf of a client. Based on a client's individual circumstances and needs, Veritrust will determine which independent adviser's portfolio management is appropriate for that client. Factors considered in making this determination include account size, risk, tolerance, the opinion of each client and the investment adviser's disclosure document for a full description of the services

offered. Veritrust will meet with the client on a regular basis, or as determined by the client, to review the account.

Currently, Veritrust has money managers for whom it solicits business. If Veritrust believes that a particular independent adviser is performing inadequately, or Veritrust believes that a different manager is more suitable for a client's particular needs then Veritrust may suggest that the client contract with a different adviser. Under this scenario, Veritrust will assist the client in selecting a new adviser, and monitor that adviser's performance. However, any move to a new manager is solely at the discretion of the client. Veritrust will only recommend the use of advisers that pay Veritrust a referral fee.

NON-DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES PROGRAM

Veritrust provides investment portfolio management services, on a non-discretionary basis. Veritrust will consult with the client to obtain detailed investment objective information and other pertinent data on an Investor Profile Worksheet to help enable the client to determine the appropriate investment guidelines, risk tolerance and other factors that will assist the client in selecting a suitable investment portfolio.

Veritrust will provide investment management of client's funds on a non-discretionary basis which means we will not place any trades without your implicit consent. Veritrust will diversify and manage the client's portfolio with the client's permission. Investments and allocations are recommended based upon the client's pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors that are determined. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio.

The minimum investment in this program is negotiable depending upon individual circumstances at Veritrust's discretion.

DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES PROGRAM

Veritrust provides investment portfolio management services, on a discretionary basis, to clients –the Veritrust® Discretionary Services. Veritrust will consult with the client to obtain detailed investment objective information and other pertinent data on an Investor Profile Worksheet to enable the client to determine the most appropriate investment guidelines, risk tolerance and other factors that will assist the client in selecting a suitable investment portfolio.

Veritrust will provide investment management of client's funds on a discretionary basis, through written authorization granted by a Limited Trading Authorization Form. Veritrust will diversify and manage the client's portfolio. Investments and allocations are determined based upon the client's pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors that are determined. Veritrust will manage the client's accounts on an individualized basis. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio will not be identical with the average client of Veritrust.

The minimum investment in this program is negotiable depending upon individual circumstances at Veritrust's discretion.

PILOTAGE MODEL PORTFOLIO

The minimum investment is \$50,000 which may be negotiable under certain circumstances. Veritrust has entered into an agreement with Nick Edwards to serve as the portfolio model manager for the Pilotage Program.

The Model Portfolio is designed to allocate your assets among various asset classes and across industries and sectors through various model manager portfolios. Clients will have the ability, within reasonable parameters, to designate particular securities or types of securities that should not be purchased for the Client's Portfolio Program. To the extent that a particular security or sector may be included in the holdings of a portfolio, the ability to exclude does not apply. In the event that Client restrictions exclude a particular security or type of security which is included in the Model Portfolio, any resulting gap will be filled by proportionately increasing the amount of the securities in the Model Portfolio. We will not substitute another security for the restricted one or request the Model Manager designate a substitute security.

Pilotage Portfolios are designed to offer investment solutions for multiple phases of the economic cycle. We believe investors should be able to enjoy the benefits of equity exposure in rising markets while seeking to minimize the risk of the next market downturn. We work to help make this possible with a strategy that automatically shifts between growth and defensive allocations as financial trends change. We have developed three model portfolios that we use for investing in down markets and three that we use for expanding markets.

Within the Growth and Defensive Allocations we offer three Models, Aggressive Growth, Moderate Growth, and Conservative Growth. You must complete a Risk Tolerance Questionnaire before opening an account to receive our asset management services. This questionnaire helps you determine your risk tolerance, investment objectives and financial goals so we can manage your account according to your individual needs. Your Investment Adviser Representative of Veritrust will work with you to complete the Questionnaire and help you select an appropriate model portfolio and asset management program. You may impose reasonable restrictions on the investments we make for you as well as retain the right to withdraw securities or cash from your account and the right to vote, or delegate the authority to vote, proxies.

You have appointed your investment adviser as your representative, on a non-discretionary basis, to communicate your instructions, including but not limited to instructions regarding updating client information, purchase and withdrawal request, changes in Model Portfolios or investment restrictions, tax lot harvesting and any other instructions, and to receive information from Veritrust and the Portfolio Manager regarding your Account.

The Model Portfolios do not actually own or invest in securities, but are intended to be representative of actual Portfolios. Each Model Portfolio has a particular investment style and is comprised of securities appropriate to that investment style across asset classes, market capitalizations, sectors and industries. The Portfolio Manager has discretionary authority to choose the securities to be included in the respective model from the securities available under the program.

Selecting a Portfolio

Based upon the financial information provided by the Client, the Adviser will identify one or more Models whose investment style and policies are, in our opinion, suitable for your Account. Upon your approval, we will make corresponding investments in the securities included in the Model Portfolio, subject to any limitations and restrictions.

Balancing risk and stability is extremely important for us and our clients. Our proprietary trading strategy uses formulas to identify transition points that trigger when the portfolio is allocated towards the Growth or Defensive Allocations. As our portfolios become more aggressive the amount we allocate to equities increases and the amount we allocate to fixed income funds decreases. The objectives of our model portfolios are as follows:

Growth Allocation

1. **Aggressive Growth Model**
This Model is designed for clients with a higher tolerance for volatility. The Aggressive model is invested 98% to 100% in ETFs, so they are tied directly to the markets. This portfolio carries the highest degree of risk of loss if the stock markets lose value. When the stock markets are moving in a positive manner, however, this portfolio may take advantage of those increases the most.
2. **Moderate Growth Model**
This Model is designed for clients who seek a risk-adjusted, market based return. This Model allocates about 75% of the account to equity ETFs. The other 25% of the portfolio is invested in “fixed income” ETFs. This portfolio carries a moderate degree of risk of loss if the stock markets lose value.
3. **Conservative Growth Model**
This Model is designed for clients with a lower tolerance for risk. This Model allocates about 50% of the account to equity ETFs. The other 50% of the portfolio is invested in “fixed income” ETFs. These are funds that are typically invested in bonds of corporations or municipalities, cash or cash equivalents and are considered less risky. While these funds have less risk associated with them, they also typically yield a lower return than the more aggressive funds that are invested all in equities.

Defensive Allocation

1. **Aggressive Growth Model**
This Model is designed for clients with a higher tolerance for volatility. The Aggressive mode in defensive model is invested 50% in equity ETFs and 50% in debt ETFs in an attempt to mitigate risk and capture upside potential. This portfolio carries the highest degree of risk of loss if the stock markets lose value.
2. **Moderate Growth Model**
This Model is designed for clients who seek a risk-adjusted, market based return. This Model allocates about 75% of the account to debt ETFs. The other 25% of the portfolio is invested in

equity ETFs. This portfolio carries a moderate degree of risk of loss if the stock markets lose value.

3. Conservative Growth Model

This Model is designed for clients with a lower tolerance for risk. This Model allocates about 100% of the account to debt ETFs. While these funds have less risk associated with them, they also typically yield a lower return than the more aggressive funds that are invested all in equities.

We will allocate at least 2% of your portfolio to cash. The balance of your account will be allocated in accordance with the percentages of your selected model as set forth above. It should be noted that these are our current allocation models. The models may be adjusted from time to time based upon market, world and economic changes.

Item 5: Fees and Compensation

GENERAL INFORMATION ON FEES:

Under certain circumstances, all fees and account minimums may be negotiable. The fee charged is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(a)).

All fees paid to Veritrust for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Those fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. The fund also imposes sales charges; a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Veritrust. In that case, the client would not receive the services provided by Veritrust which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Certain mutual fund companies may charge a redemption fee if the investment in that fund is held less than a specific period, typically within the first 6 to 18 months. This redemption fee is generally 1%. These fees are described in fund prospectuses, and Clients should consider this before opening an account.

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, stocks, bonds, and other securities. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Accounts held at Pershing are charged \$50 for funds held less than six months. These early withdrawal fees could impact some or all of the accounts in which the transaction is taking place. Clients may also incur account termination fees upon the transfer of an account from one custodian to another. The range for these account termination fees is currently in the range of \$0 to \$200 per account.

For more information on brokerage practices, please see section entitled "Brokerage Practices".

Advisory fees are not reduced to offset the 12b-1 distribution charges and we do not receive any portion of the 12b-1 fees.

We may also receive commissions from the sale of insurance products. These commissions are in addition to any financial planning or asset management fee paid to us. We do not offset your fees by the amount of any commission we may receive. Therefore we may have an incentive to recommend investment products (insurance) based on the compensation received, rather than on a client's needs. This is monitored for during our reviews. We have a fiduciary responsibility to do what is in our client's best interest. Failure to adhere to this policy can lead to disciplinary action. Clients always have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

Clients should review both the fees charged by the funds and the fees charged by Veritrust to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

TERMINATION

Either party upon thirty (30) days written notice may terminate the relationship between the parties. Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written advisory contract with this investment adviser, then the client has the right to terminate the relationship, contract without penalty, within five (5) business days after entering into the contract. Since fees are paid in arrears, fees will be prorated according to the number of days for which we provided our investment advisory services during the current term.

FEES FOR FINANCIAL PLANNING

Hourly charges are negotiated depending upon the scope of work. Comprehensive Plans range from \$250 to \$8,000 based upon a client's individual circumstances, how long it will take to complete and may include components addressing client goals such as education, retirement; estate planning and disability. A separate financial planning services contract is executed with each client using this service. An initial deposit is required upon executing this contract, with the balance due upon the completion of the plan or plan modules. A client may rescind this contract within five (5) business days of execution and any deposit is refundable.

A client's actual plan may take more, or less, time than anticipated and may result in the investment adviser representative charging an amount higher, or lower, than mentioned above. The investment adviser representative will inform the client and obtain his/her consent before proceeding.

FEES FOR NON-DISCRETIONARY FINANCIAL MANAGEMENT PROGRAM

The fee schedule for non-discretionary accounts is as follows:

<u>Assets under Management</u>	<u>Fee Percentage</u>
\$ 0.00 -- 250,000.00	2.50%
\$ 250,000.01 -- 500,000.00	1.75%
\$ 500,000.01 -- 750,000.00	1.50%
\$ 750,000.01 -- 1,000,000.00	1.25%
\$1,000,000.01 -- 2,000,000.	0.75%
Over \$2,000,000.00	Negotiated Fee

Investment minimums are negotiable. Our Firm utilizes mutual funds, stocks, bonds, options and variable annuity sub-accounts for its recommended investments. The mutual fund families will usually pay ongoing 12b-1 fees to selling organizations.

Fees are calculated based on an annual fixed percentage of assets under management based on the market value of those assets. The fee ranges from 75/100ths (.75%) to 250/100ths (2.50%) of one percent of the total assets under management. Veritrust's fee shall be assessed quarterly. The fee calculation is: $(([\text{assets under management}] \times [\text{annual fee}]) / [\text{number of calendar days in the year}]) \times [\text{number of days in the relevant quarter}]$. Accounts opened or closed in mid-quarter will be assessed or refunded a pro-rated management fee. Fees are payable quarterly, in advance and such fees may be deducted from client's account(s) quarterly within thirty (30) days following the beginning of the quarter for which said fees apply.

FEES FOR DISCRETIONARY PORTFOLIO MANAGEMENT SERVICES PROGRAM

The fee schedule for discretionary accounts is as follows:

<u>Assets under Management</u>	<u>Fee Percentage</u>
\$ 0.00 -- 250,000.00	2.00%
\$ 250,000.01 -- 500,000.00	1.75%
\$ 500,000.01 -- 750,000.00	1.50%
\$ 750,000.01 -- 1,000,000.00	1.25%
\$1,000,000.01 -- 2,000,000.	1.00%
\$2,000,000.00 -- 5,000,000	0.75%
Over \$5,000,000.00	Negotiated

Investment minimums are negotiable. Our Firm utilizes mutual funds, stocks, bonds and options for its recommended investments. The mutual fund families will usually pay ongoing 12b-1 fees to selling organizations.

The fee calculation is: $(([\text{assets under management}] \times [\text{annual fee}]) / [\text{number of calendar days in the year}]) \times [\text{number of days in the relevant quarter}]$. Accounts opened or closed in mid-quarter will be assessed or refunded a pro-rated management fee. Fees are payable quarterly, in advance, and such fees may be deducted from client's account(s) quarterly within thirty (30) days following the beginning of the quarter for which said fees apply.

In the event current holdings must be liquidated, they will be processed at a cost of \$25 per ticket. Investment Management Term: One (1) year anniversary term, canceled at any time through an originally signed correspondence by client. A surrender fee may apply for variable annuity sub-accounts. To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses. The client is advised that, in addition to the annual advisory fee set forth above, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which Client will bear a proportionate share.

PILOTAGE FEES

The fees for our Pilotage Portfolio program are as shown in the chart below:

Account Size	Client Annual Fee	VT Retention for Operating Costs (Expressed as a BP)	Nick's Net (Expressed as a BP)	Rep's Gross Commission
\$50,000-\$100,000	2.00%	0.70%	0.20%	1.10%
\$100,001-\$250,000	2.00%	0.40%	0.20%	1.40%
\$250,001-\$500,000	1.75%	0.35%	0.18%	1.22%
\$500,001-\$750,000	1.50%	0.30%	0.15%	1.05%
\$750,00-\$1,000,000	1.25%	0.25%	0.125%	0.875%
\$1,000,001 +	1.00%	0.20%	0.10%	0.70%

Additionally, Veritrust will retain as the house override, the compliment of the rep's payout multiplied times the gross (client) fee. This will reflect as a different net commission paid to representative depending on the rep's payout level.

FEES FOR MONEY MANAGER SEARCH AND MONITORING:

Veritrust will only recommend the use of advisers that pay Veritrust a referral fee. Contractually, Veritrust will be paid by the independent adviser for whom is solicits, based on a percentage of the client's managed assets (ranging from 0.2% to 2.0%), which is included in the independent investment adviser's annual management fee, depending on the size of the account. The management fee is disclosed in the independent adviser's disclosure document (Part 2 of Form ADV). In the event of

termination of the contract with the independent adviser, the customer may have a refund of fees available. Such refund, if any, is disclosed in the independent adviser's ADV Part 2.

Item 6: Performance Fees and Side-By-Side Management

At this time, the Firm does not accept performance fees, nor does it have side-by-side management conflicts.

Item 7: Types of Clients

Our Firm offers services to retail investors, trusts, high net worth individuals and businesses.

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

METHODS of ANALYSIS

We utilize a combination of fundamental and technical investment analysis, with the integration of charts, graphs, and research reports.

Fundamental Analysis

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

Fundamental analysis serves to answer questions, such as:

- Is the company's revenue growing?
- Is it actually making a profit?
- Is it in strong-enough position to beat out its competitors in the future?
- Is it able to repay its debts?
- Is there strong, ethical management?

One of the primary assumptions of fundamental analysis is the price on the stock market does not fully reflect a stock's "real" value.

Technical Analysis

Technical analysis is a technique that attempts to determine a security's value by focusing on past market data, incorporating price, volume, and market indicators. Technical analysis is about using models and trading rules based on price and volume data to identify patterns, forecast, and evaluate potential price changes.

Technical analysis is based on the beliefs that:

- Market price reflects all relevant information
- How investors think about a investments, or the psychological aspect, is fundamental to price and performance

- Prices may be cyclical or trend in a specific direction and history often repeats itself
- There are underlying identifiable patterns of price and behavior

One of the primary assumptions of technical analysis is that the price of any security in the stock market may be validated by, and predicted by, identifiable patterns of past behavior

Modern Portfolio Theory

We may also use Modern Portfolio Theory to help us select the funds to include in your portfolio. Modern Portfolio Theory was created by some of the world's leading academic economists. They conducted extensive research, demonstrating that asset class selection (such as small-cap vs. large-cap, value vs. growth and U.S. vs. international)-not stock selection or market timing-is the most important determinant of portfolio performance.

Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk", measuring how much worse than average an investment's bad years are likely to be. The end goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk.

INVESTMENT STRATEGIES

The firm generally uses risk based model portfolios that are designed to perform with varying degrees of volatility based on clients desired risk tolerance as measured by a standard questionnaire. The portfolios can be geared toward equities and growth or toward income generation based on the clients investment objectives.

Model Portfolios include securities that are selected based on past performance, and the ability of the fund to perform in correlation with an acceptable level of risk within the designated model portfolio. The selection process generally relies heavily on outside rating agencies views of the particular investment style and performance versus an assigned benchmark for the selected funds.

The firm also provides custom asset management for clients that want investment options beyond model portfolios and want to participate in individual equities. The advice provided to the client is still based on the appropriate level of risk for the client and the clients' investment objective.

In the course of our analysis and in the course of selecting products for our client's accounts, we utilize various resources, such as:

- Financial websites and rating services
- Bloomberg
- Standard and Poor's
- Reuters detailed analyst reports for fundamental analysis
- Stand Point Research for quantitative data
- Daily news reports on specific equities and ETFs contained in portfolios
- Annual Reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases and earnings calls

- Quantitative screens comparing positions to competitors and industry
- Financial periodicals such as Wall Street Journal, Barron's and Financial Times

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. In utilizing both fundamental and technical analysis, we believe we are able to gain a larger picture of the true value of a particular investment and the ability to strategize it's potential. However, past performance is not an indicator of future returns.

Due Diligence on Third Party Managers

We conduct due diligence on our third party managers. This due diligence may include, but not be limited to:

- on-site visits to certain Portfolio Managers
- interviews with investment, trading and operations personnel and senior management
- analysis of client accounts

In addition, we review regulatory filings, as well as analysis and statistics written or compiled by government agencies, trade groups or professional associations. We review the third party asset management providers analysis during our due diligence process to determine whether to include them in your portfolio. We will look at the reports and information that they provide, as well as the following, for our due diligence efforts:

- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Corporate rating services
- Company websites
- Inspections of corporate activities

PILOTAGE PORTFOLIO

The Pilotage Portfolios investment strategy is based on the assumption that the market will continue to move in a similar fashion as exhibited for the last 50 years. 50 years was the sample period used to develop and test the efficacy of the formulas applied to the market.

The formulas used to identify transition (triggering) points between growth and defensive allocations were developed and tested against the day to day movement of a market index. The formula, when applied to the movement of the index, yields the relevant triggering levels in real time as the market moves. In other words, the formula does not predict the triggering point based on future assumptions about the direction of the market, nor does it "look backwards" to predict a triggering point. The triggering point is a tangible, finite figure that when crossed by the market will indicate an immediate transition point. The numerical inputs which steer the formula are based solely on the movement of the single index to which it reacts. There are no outside contributors to the movement of the formula's triggering points beyond the index itself.

The formula has been statistically refined to a degree that it would have been 95% accurate in selecting advantageous transition points when applied to the index performance of the last 50 years. It should be noted that, even with a 5% margin of error, it is possible for the formula to miss an accurate trigger preceding a deep, long-term market decline. The 5% "false triggers" are periods where the market reverted back to its original trajectory in a short time span without moving significantly in one direction or the other. Historically these "false triggers" would not have had a substantial impact on account balances.

Again, all these statements are based on the hypothesis that we can expect the market to behave in a fashion similar to its historic norm. As with all analysis methods, there is always the risk of loss of principal. There are no guarantees in the stock market.

The evaluation of the securities used in the model allocations were based on several factors including; diversification, expense ratio, correlation, performance, and risk.

If no formula-triggered reallocations happen during a 12-month period each account will be rebalanced annually.

RISK OF LOSS

While the firm attempts to measure the appropriate level of risk for the client, all the portfolios are invested in securities and are subject to risk of loss.

The use of model portfolios is the firm's primary strategy for investing client funds. While this strategy is widely used within the investment community, there are certain risks in addition to the general market risk within this strategy. There is no guarantee that the firm's risk based questionnaire will measure the actual level of risk that the client is willing to assume over a protracted period of time, or that the securities within the model portfolios will perform in accordance with their underlying benchmark. Additionally, since the model portfolios use traditional equity and fixed income investments, the returns of the portfolios should be highly correlated to the equity and bond markets, and would experience significant market losses when the overall equity markets are in decline.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value

Mutual funds and exchange traded funds generally have an assigned investment style and an underlying benchmark index that the fund's performance is measured against. There is always a risk that those funds will deviate from the stated investment objective (Style drift) or that their performance may not correlate to their stated benchmark. These factors can result in the client assuming more or less actual risk than they anticipate. Mutual funds and exchange traded funds will generally experience significant market losses when the overall equity markets are in decline.

Pilotage Model Portfolio Risk

The Pilotage Portfolio Series is an actively managed program and as such may have an above-average turnover rate in volatile markets, which could have a negative impact upon the net after-tax gain experienced by an individual client in a taxable account. No current or prospective client should assume that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels. The actual performance of an individual client's portfolio may be lower or higher than the performance of the Pilotage Portfolio strategy due to differences in timing of contributions and withdrawals, account start date and actual fees paid. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark for measuring the performance of a portfolio.

Charting and Signaling are methodologies utilized in Technical Analysis. Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy. Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.

The securities in the Pilot Portfolios are subject to change at any time without prior notification to the client. Pilotage Portfolios utilize a trend-following indicator to determine the appropriate time to alternate assets between a conservative defensive or growth-oriented allocation. Since it may take time for a trend to develop and become identifiable, the models will rarely trigger a repositioning at the very top or very bottom of a market or economic cycle.

There can be no assurance that the Pilotage Portfolio system of asset management will protect a portfolio from loss of capital or make a profit. Exchange-traded funds involve risk, including possible loss of principal and are subject to risks similar to those of stocks. An investor should carefully consider investment objectives, risks, charges and expenses before investing in an Exchange Traded Fund. This information and more complete information, including potential risks, is included in each Exchange Traded Fund prospectus, which can be obtained from your financial professional

Item 9: Disciplinary Information

Veritrust the Registered Investment Adviser has no disciplinary information to disclose here.

However, in July of 2011, Veritrust, the broker-dealer, was censured and fined \$90,000 by FINRA (Financial Industry Regulatory Authority) for allegations regarding broker-dealer activities. Without admitting or denying the allegations, Veritrust Financial consented to the described sanctions and to the entry of findings.

These allegations resulted from issues raised during Veritrust Financial's 2008 routine FINRA examination and included the following: failure to establish and maintain a supervisory system to prevent inadvertent commission charges on certain mutual fund liquidations; failure to review and retain email correspondence on an outside email account; failure to conduct all annual office inspections of supervisory branch locations; failure to comply with various FINRA advertising provisions; failure to ensure all covered persons completed continuing education courses; insufficient testing of the firm's supervisory policies/procedures resulting in an inadequate annual report to management; and failure to timely file form U4/U5 amendments and 3070 disclosure reports.

Veritrust, the broker-dealer, paid \$38,658.84 in restitution for overcharged mutual fund commissions to clients. Veritrust replaced its Chief Compliance Officer in 2008 upon the conclusion of FINRA's onsite examination. The firm has made extensive changes to its supervisory policies and procedures since that time and the firm's 2010 routine examination has been closed with no items being referred to FINRA's Enforcement Department.

Item 10: Other Financial Industry Activities and Affiliations

Advisory representatives of Veritrust LLC may also be registered representatives of Veritrust Financial, a registered broker-dealer, member FINRA/SIPC. As such, they may on occasion sell other securities products to the clients of Veritrust.

Advisory representatives of Veritrust LLC may also be insurance agents with VF Insurance Services, an affiliate of Veritrust Financial and various carriers and insurance companies. As such, they may on occasion sell other insurance products to the clients of Veritrust.

Clients are under no obligation to purchase or sell securities or insurance products through the advisory representatives. However, if they choose to implement the recommendations, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Veritrust than at other broker-dealers. Advisory representatives may have a conflict of interest in having clients purchase securities and insurance products through Veritrust in that the higher their production, the greater potential for obtaining a higher payout on commissions earned. Further, advisory representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public through Veritrust. .

Veritrust, as a registered broker/dealer with the Securities and Exchange Commission, and various state jurisdictions, and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), may be used to execute transactions for investment advisory clients of Veritrust. These transactions will be conducted subject to proper, and customary, disclosure including (but not limited to) compensation received by Veritrust and its registered representatives. Compensation will be received by Veritrust, as a broker dealer, and/or its registered representatives when transactions are effected on behalf of investment advisory clients, and Veritrust and its registered representatives may receive compensation as a result of acting in one or both capacities.

It is generally anticipated that Veritrust will be designated by the client as the sole broker-dealer for the execution of transactions, which are directed by Veritrust. To the extent that it is, Veritrust will seek to obtain the best combination of price and execution for such transactions; however, lower commissions or better execution may be available elsewhere, for example, by the execution of the transaction through a so-called "discount broker."

If an investment advisory client utilizes Veritrust as the broker-dealer, Veritrust's selection of money market mutual funds or comparable investments in which to hold cash reserves in the client's account will be limited to certain investments. The selection includes money market, municipal money market and government money-market funds, and the issuers of funds may pay Veritrust a distribution fee in its capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts. Where an unaffiliated broker-dealer or other entity acts as custodian of the client's account assets, Veritrust will have no control over the manner in which the cash reserves will be handled. The client and/or custodian will make that determination.

Please see items 4 and 5 for information about Veritrust recommending or selecting other investment advisors for clients.

Veritrust's broker/dealer activities comprise approximately 60% of its time; while the remaining 30% is spent on investment advisor activities and 10% related to insurance.

Third Party Managed Accounts

In offering third party managed accounts, a conflict of interest may exist for us to recommend the services of a third party manager or asset allocator who has agreed to share a portion of its management fee with us as opposed to other managers who have not agreed to pay us compensation. The compensation paid to us from the third party managers may vary; therefore, there is a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. The fees the client pays for such programs may be higher or lower than if the client directly obtained the services of the third party manager or asset allocator or if client obtained advisory services

separately. However, our policy is to only recommend third party managers to those clients who need their services.

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

Code of Ethics

Veritrust has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Veritrust or any of its associated persons. The Code of Ethics also requires that certain of Veritrust's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Veritrust's Code of Ethics is to act in all customer transactions in a manner that exhibits competence, confidentiality, diligence, fairness, integrity and objectivity. Veritrust strives to act always in a professional manner. A copy of our Code of Ethics is available upon request.

Participation or Interest in Client Transactions

Veritrust 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 must comply with the provisions of Veritrust's Compliance Manual.

Veritrust, as a broker-dealer, may be used to execute transactions for Veritrust's investment advisory clients. These transactions will be conducted subject to proper and customary disclosure, including (but not limited to) compensation received by Veritrust and/or its registered representatives. Compensation will be received by Veritrust, as a broker-dealer, and/or its registered representatives when transactions are effected on behalf of Veritrust's investment advisory clients, and therefore, Veritrust may receive compensation as a result of acting in one or both capacities.

Personal Trading

The Supervisory Procedures require that all trades made by employees or related persons of Veritrust, who make recommendations or participate in the determination of which recommendation shall be made, will require review for all transactions by the designated person responsible (except transactions in investment company securities and/or other exempt transactions). Veritrust will also maintain quarterly reports on all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. Further, the Supervisory Procedures impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any officer, representative or associated person of the firm.

Privacy Policy

As part of its regular business conduct, Veritrust may collect non-public, personal information about its clients from sources such as, but not limited to, the following:

- Information reported by clients on applications or other forms that the clients provide to the investment adviser;
- Information about clients' transactions with adviser, investment adviser representatives, adviser's affiliates, or others; and
- Conversations between the clients and the investment adviser representatives.

Veritrust will share such non-public information solely to service client accounts. Veritrust will not disclose any non-public, personal information about its clients or former clients to anyone, except as permitted or required by law. If a client decides to close the client's account(s) with Veritrust or becomes an inactive client, Veritrust will continue to adhere to its privacy policy and practices with respect to that client described in this notice.

Item 12: Brokerage Practices

Best Execution

As discussed above, in Item 5, Veritrust generally recommends that clients utilize the brokerage services of our affiliate entity Veritrust Financial and the custodial services of Pershing. Factors which we consider in recommending Pershing or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Veritrust Financial and Pershing may be higher or lower than those charged by other Financial Institutions.

The commissions paid by our clients comply with our duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where we determine that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. We seek competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Veritrust periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

We place trades for our clients' accounts subject to our duty to seek best execution and our other fiduciary duties.

Soft Dollars

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist us in our investment decision-making process. Such research generally will be used to service all of our clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation

of the benefit of such investment research products and/or services poses a conflict of interest because we do not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

We may receive from Pershing, without cost, computer software and related systems support, which allow us to better monitor client accounts. We may receive the software and related support without cost because of our relationship with Pershing.

Additionally, we may receive the following benefits from Pershing: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services Pershing participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Brokerage for Client Referrals

We do not receive any compensation or incentive for referring Clients to certain broker-dealers for brokerage trades.

Directed Brokerage

The client may not direct us to use a particular Financial Institution to execute some or all transactions for the client. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Veritrust will supervise and direct the investments of the client accounts subject to such limitations as the client may impose in writing. Veritrust, as agent and attorney-in-fact with respect to certain client accounts and without prior consultation with the client, may: (a) direct the purchase, sale, exchange, conversion, and otherwise trade in mutual funds; (b) direct the amount of mutual funds purchased, sold, exchanged, and otherwise traded; (c) place orders for the execution of such transactions; and (d) determine the rates paid.

Trading

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among our clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our Supervised Persons may invest, we shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission.

We shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, we may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Unless the client instructs Veritrust otherwise, Veritrust may place orders for the execution of transactions through Veritrust, and while complying with Section 28(e) of the Securities Exchange Act of 1934, and if applicable, may pay a commission on transactions in excess of the amount of commission than those obtainable from other brokers for similar transactions, taking into consideration access to and quality of research resources, execution capability, market services, timely response, and other services provided by Veritrust which are expected to enhance the general portfolio management capabilities of Veritrust. Only properly registered representatives of Veritrust will receive these commissions.

Additionally, it is not Veritrust's practice to negotiate "execution only" commission rates, thus the client may be deemed to be paying for other services provided by the broker which are included in the commission rate. These other services may include research, services such as news and quotation equipment, electronic office equipment, account recordkeeping, on line financial information and data processing. Research services furnished by Veritrust to its brokerage clients may or may not be used by Veritrust in the servicing of its investment advisory clients. The types of products and services may include written and oral reports concerning current or prospective portfolio holdings, economic interpretations, and portfolio strategy. Veritrust will allocate brokerage transactions in a manner it believes to be fair and responsible to its clients, and consistent with client objectives. Adhering to a strict formula will not be practicable given the variation in client objectives and guidelines. Prospective clients are hereby advised that lower brokerage fees for comparable services may be available from other sources.

Item 13: Review of Accounts

Veritrust offers a managed program to its customers. These managed accounts are monitored on a systematic basis, and account(s) are reviewed randomly on a quarterly basis by a principal or another designated by the firm.

The review compares investments to ensure that they are: (i) suitable to the respective client's investment objectives; (ii) meets that client's quality standards; and (iii) to make sure that their

investment objectives are still pertinent to the managed account arrangement. In the event of a severe economic downturn, all managed accounts would be reviewed for their exposure and appropriate corrections determined.

Reports

Clients receive brokerage transaction confirmations and monthly statements (if there is activity during the month, otherwise, quarterly statements are sent) from the custodian of the account. The statements show the growth, or loss, in the account since the last statement as well as provide an asset holding summary and contributions/withdrawals for the period.

Item 14: Payment for Client Referrals

If a client is introduced to Veritrust by a solicitor or other investment advisor, Veritrust may pay a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940 and the rules set forth by the respective state jurisdictions. Any such referral fee shall be paid solely from Veritrust's investment management fee, and shall not result in any additional charge to the client. These fees will be paid only to qualified and properly licensed investment advisors, investment adviser representatives, solicitors and registered representatives of a broker-dealer. If the client is introduced to Veritrust by another investment advisor or solicitor, they shall provide the client with a copy of Veritrust's Form ADV Part 2 with applicable schedules and a copy of the disclosure statement between Veritrust and the referring agent containing the items and conditions of the solicitation arrangement, including compensation.

Item 15: Custody

Veritrust does not have physical custody of any accounts or assets. However, we may be deemed to have custody of client accounts if we have the ability to deduct client fees from the client's account at the custodian. Veritrust does have the ability to deduct fees from client account at the custodian.

The Financial Institutions recommended by us have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Veritrust. The Custodian will provide clients with immediate transaction confirmations and statements. Statements list the total value of the account at the start and end of the of the time period and itemize all transactions and security positions. For taxable accounts, the Custodian will provide you with consolidated year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable.

We urge clients to carefully review such statements and notify us of any discrepancies. We are not allowed to make alterations or amendments to the custodian's statement. This preserves the integrity of the Custodian's statement and provides you with an independent appraisal of the account.

Item 16: Investment Discretion

We may be given the authority to exercise discretion on behalf of clients at the onset of the relationship. We are considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. We are given this authority through a power-of-attorney included in the agreement between us and the client. Clients may request a

limitation on this authority (such as certain securities not to be bought or sold). We take discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions you have set. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Item 17: Voting Client Securities

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios.

We may provide advice to you regarding your voting of proxies if you so desire. We are authorized to instruct the Custodian to forward you copies of all proxies and shareholder communications relating to your account assets.

Item 18: Financial Information

The firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.