

# Vellum Financial, LLC

**ADV Part 2A, Brochure**

**Dated: March 15, 2013**

**Contact: Bryan Sullivan, Chief Compliance Officer**  
**1880 Santa Barbara Street**  
**Suite 240**  
**San Luis Obispo, CA 93401**  
**(805) 546-1000**  
**[www.vellumfinancial.com](http://www.vellumfinancial.com)**

This brochure provides information about the qualifications and business practices of Vellum Financial, LLC (“VFL”). If you have any questions about the contents of this brochure, please contact us at (805) 546-1000 or [bryan@vellumfinancial.com](mailto:bryan@vellumfinancial.com). 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.

Additional information about VFL is also available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to VFL as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 - Material Changes

---

Since its most recent Annual Amendment filing on March 30, 2012, VFL's primary office location changed to the address shown on the cover of this Form ADV Part 2A Brochure.

## Item 3 – Table of Contents

---

Item 1 – Cover Page .....	1
Item 2 - Material Changes .....	2
Item 3 – Table of Contents .....	2
Item 4 - Advisory Business.....	3
Item 5 - Fees and Compensation.....	5
Item 6 - Performance Based Fee and Side by Side Management .....	7
Item 7 - Types of Clients .....	7
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 - Disciplinary Information .....	9
Item 10 - Other Financial Industry Activities and Affiliations.....	10
Item 11 - Code of Ethics, Participation or Interest in Client Accounts and Personal Trading .....	10
Item 12 - Brokerage Practices .....	11
Item 13 - Review of Accounts .....	13
Item 14 - Client Referrals and Other Compensation.....	13
Item 15 - Custody.....	14
Item 16- Investment Discretion .....	14
Item 17- Voting Client Securities.....	15
Item 18 - Financial Information.....	15

## Item 4 - Advisory Business

---

A. VFL is a limited liability company formed in 2009 in the State of California, which became registered as an Investment Adviser Firm with the SEC in August 2009. VFL is owned by: Greg Franklin, Kelly Smith, Bryan Sullivan and Kevin Swanson. Bryan Sullivan is VFL's Managing Member and Chief Compliance Officer.

B. As discussed below, VFL provides to its clients (individuals, high net worth individuals, and corporations) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### Investment Advisory Services

The client can engage VFL to provide discretionary investment advisory services on a negotiable fee basis. VFL's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under VFL's management.

VFL's investment advisory services include development and execution of plans designed to build and preserve client wealth. Client accounts may be balanced or reallocated periodically in order to reestablish the targeted percentages of initial asset allocation. This rebalancing or reallocation will occur on the schedule set by the client in consultation with VFL, which emphasizes continuous and regular account supervision.

VFL's investment advisory services also include asset management, in which VFL develops portfolios consisting of mutual funds and /or exchange traded funds ("ETFs"). The client's individual investment strategy is tailored to their specific needs and may also include some or all of the following securities; individual stocks, bonds, options and other public and private securities or investments. Each portfolio will be initially designed to meet a particular investment goal, which VFL determines to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, VFL uses a quantitative analysis process to review the client's holdings and make changes based on its findings. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request. You must notify us promptly when your financial situation, goals, objectives, or needs change.

### Financial Planning and Consulting Services (Stand-Alone)

To the extent requested by a client, VFL may provide financial planning and/or consulting services based upon an analysis of client's current situation, goals, and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning. VFL's written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be

made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs.

## Miscellaneous Disclosures

Non-Investment Consulting/Implementation Services. To the extent requested by the client, VFL may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither VFL, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of VFL's services should be construed as same.

To the extent requested by a client, VFL may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of VFL in their separate capacities as discussed below. VFL also provides clients with a list of investment advisory services of third party professional portfolio management firms for the individual management of client accounts. As part of this process, VFL conducts initial due diligence of such third party money managers and provides ongoing reviews of their management of client accounts. VFL does not offer advice on any specific securities or other investments in connection with this service.

The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from VFL. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify VFL if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising VFL's previous recommendations and/or services.

Client Obligations. In performing its services, VFL will not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify VFL if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising VFL's previous recommendations and/or services.

Disclosure Statement. A copy of VFL's written Brochure as set forth on Part 2A of Form ADV will be provided to each client before, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

C. VFL will tailor its investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, VFL will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on VFL's services.

D. VFL does not offer a wrap fee program for its investment advisory services. However, VFL is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. The programs for which VFL manages investment advisory accounts on a discretionary basis are sponsored by unaffiliated investment advisers. With respect to the wrap-fee and managed account programs in which VFL is a participating investment adviser, clients pay their fees directly to the sponsoring brokers who, in turn, remit a portion of those fees to VFL. The advisory fees remitted to VFL are based upon an annual percentage of assets under management, and are calculated by the sponsoring brokers either on a quarterly basis or a monthly basis.

**Please Note:** (Wrap/Managed Account programs): In the event that VFL is engaged to provide investment management services as part of an unaffiliated wrap-fee program, VFL will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that VFL is engaged to provide investment management services as part of an unaffiliated managed account program, VFL will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

E. As of December 31, 2012, VFL had assets of \$158,000,000 under management on a discretionary basis.

## Item 5 - Fees and Compensation

---

A. VFL offers its services on a negotiable fee basis.

### Investment Advisory Fees

The client can engage VFL to provide discretionary investment advisory services on a negotiable fee basis. VFL's annual investment advisory fee will be based upon a percentage (%) of the market value and type of assets placed under VFL's management (between negotiable and 2.5%) as follows, :

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
\$0 - \$5,000,000	2.5%
\$5,000,001+	2.0%

VFL's annual investment advisory fee may vary from negotiable up to 2.5% of the total assets placed under management and shall be based upon various objective and subjective factors. These factors include, but are not limited to, the amount of the assets placed under VFL's management, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement.

**Please Note: Fee Differentials.** VFL shall price its services based upon various objective and subjective factors. As a result, VFL's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by VFL to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

## **Financial Planning and Consulting Fees (Stand-Alone)**

To the extent specifically requested by a client, VFL may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. VFL's planning and consulting fees are negotiable.

On a fixed fee basis, VFL's planning and consulting fees generally range between \$1,000 to \$20,000 depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). On an hourly basis, VFL charges \$300 for financial advisors, \$150 per hour for para-planners and \$75 for administrative time.

B. Clients may elect to have VFL's advisory fees deducted from their custodial account. Both VFL's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of VFL's investment advisory fee and to directly remit that management fee to VFL in compliance with regulatory procedures. In the limited event that VFL bills the client directly, payment is due upon receipt of VFL's invoice. VFL will deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, VFL generally recommends that Charles Schwab & Co. ("Schwab"), TD and Co., Inc. ("TD"), TD Ameritrade, Inc. ("Ameritrade"), Trust Company of America ("TCA"), and Fidelity Investments ("Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab, TD, Ameritrade, TCA and Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to VFL's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

D. VFL's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.

The Investment Advisory Agreement between VFL and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, VFL will refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

E. Neither VFL nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6 - Performance Based Fee and Side by Side Management**

---

Neither VFL nor any supervised person of VFL accepts performance-based fees.

## **Item 7 - Types of Clients**

---

VFL's clients include: individuals, high net worth individuals, and corporations.

VFL generally requires a minimum account opening balance of \$100,000. Multiple accounts of immediately-related family members, at the same mailing address, may be considered one consolidated account for billing purposes. VFL, in its sole discretion, may reduce or waive its minimum asset requirement based upon certain criteria T (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

---

A. VFL may use one or a combination of the following methods of securities analysis as part of its overall investment management discipline:

Fundamental Analysis. – This 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. One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. VFL therefore uses a combination of qualitative and quantitative factors to identify undervalued securities, based upon both macroeconomic factors such as the overall economy and industry conditions and company-specific factors such as financial condition and management.

In order to perform this fundamental analysis, VFL relies upon many resources, such as: Morningstar; financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.); annual reports, prospectuses, SEC Filings; press releases; corporate rating services; timing services; company websites; and Inspections of corporate activities.

Technical Analysis This is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants

perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

VFL uses the following techniques to perform technical analyses:

- Calculation of moving averages;
- Use of stochastic oscillators, which incorporate support and resistance levels to determine momentum;
- Analysis of supply and demand indicators; and
- Analysis of investor behavior and psychology.

**Cyclical Analysis.** This is a technique that analyzes historical relationships between price and market trends, to forecast the direction of prices. While VFL does not attempt to time the market, it may use cyclical analysis in conjunction with other strategies to help determine if shifts are required for its clients' investment strategies depending upon long and short-term trends in financial markets and the performance of the overall national and global economy.

VFL may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments) []
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note:** Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by VFL) will be profitable or equal any specific performance level(s).

**Please Also Note:** Investing in securities involves risk of loss that clients should be prepared to bear. In addition to the fundamental investment strategies discussed above, VFL may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by VFL in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to VFL may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of



interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to VFL. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by VFL shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Please Note: Although the intent of the options-related transactions that may be implemented by VFL is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct VFL, in writing, not to employ any or all such strategies for his/her/their/its accounts.

B. VFL's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis VFL must have access to current/new market information. VFL has no control over the dissemination rate of market information; therefore, unbeknownst to VFL, certain analyses may be compiled with outdated market information, limiting the value of VFL's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

VFL's primary investment strategies - Long Term Purchases, Short Term Purchases, Trading, Margin Transactions and Options - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

C. Currently, VFL primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9 - Disciplinary Information**

---

VFL has not been the subject of any disciplinary actions.

## Item 10 - Other Financial Industry Activities and Affiliations

---

- A. Neither VFL, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither VFL, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Licensed Insurance Agents. Bryan Sullivan, Kevin Swanson, Greg Franklin, and Kelly Smith, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of VFL's representatives to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation by Bryan Sullivan, Kevin Swanson, Greg Franklin, or Kelly Smith that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Bryan Sullivan, Kevin Swanson, Greg Franklin, or Kelly Smith. Clients are reminded that they may purchase insurance products recommended by VFL through other, non-affiliated insurance agents. **VFL's Chief Compliance Officer, Bryan Sullivan, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. VFL does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

## Item 11 - Code of Ethics, Participation or Interest in Client Accounts and Personal Trading

---

- A. VFL maintains an investment policy relative to personal securities transactions. This investment policy is part of VFL's overall Code of Ethics, which serves to establish a standard of business conduct for all of VFL's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, VFL also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by VFL or any person associated with VFL.

- B. Neither VFL nor any related person of VFL recommends, buys, or sells for client accounts, securities in which VFL or any related person of VFL has a material financial interest.
- C. VFL and/or representatives of VFL may buy or sell securities that are also recommended to clients. This practice may create a situation where VFL and/or representatives of VFL are in a position to

materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if VFL did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of VFL’s clients) and other potentially abusive practices.

VFL has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of VFL’s “Access Persons”. VFL’s securities transaction policy requires that an Access Person of VFL must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date VFL selects; provided, however that at any time that VFL has only one Access Person, he or she shall not be required to submit any securities report described above.

D. VFL and/or representatives of VFL may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where VFL and/or representatives of VFL are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, VFL has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of VFL’s Access Persons.

## **Item 12 - Brokerage Practices**

---

A. In the event that the client requests that VFL recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct VFL to use a specific broker-dealer/custodian), VFL generally recommends that investment management accounts be maintained at Schwab, TD, Ameritrade, TCA and/or Fidelity. Prior to engaging VFL to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with VFL setting forth the terms and conditions under which VFL shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that VFL considers in recommending Schwab, TD, Ameritrade, TCA and/or Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with VFL, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by VFL’s clients shall comply with VFL’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where VFL determines, in good faith, that the commission/transaction fee is 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 broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly,

although VFL will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, VFL's investment management fee. VFL's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, VFL may receive from Schwab, TD, Ameritrade, TCA and/or Fidelity (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist VFL to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by VFL may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by VFL in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist VFL in managing and administering client accounts. Others do not directly provide such assistance, but rather assist VFL to manage and further develop its business enterprise.

VFL's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, TD, Ameritrade, TCA and/or Fidelity as a result of this arrangement. There is no corresponding commitment made by VFL to Schwab, TD, Ameritrade, TCA and/or Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**VFL's Chief Compliance Officer, Bryan Sullivan, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

VFL does not receive referrals from broker-dealers.

VFL does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and VFL will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by VFL. As a result, 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.

**Please Note:** In the event that the client directs VFL to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would

otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through VFL.

**VFL's Chief Compliance Officer, Bryan Sullivan, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

B. To the extent that VFL provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless VFL decides to purchase or sell the same securities for several clients at approximately the same time. VFL may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among VFL's 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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. VFL shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 - Review of Accounts**

---

A. For those clients to whom VFL provides investment supervisory services, account reviews are conducted on an ongoing basis by VFL's Principals and/or representatives at least quarterly, or as agreed between VFL and the client. All investment supervisory clients are advised that it remains their responsibility to advise VFL of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with VFL on an annual basis.

B. VFL may conduct account reviews on an other-than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. VFL may also provide a written periodic report summarizing account activity and performance.

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

---

A. As referenced in Item 12.A.1 above, VFL may receive an economic benefit from Schwab, TD, Ameritrade, TCA and/or Fidelity. VFL, without cost (and/or at a discount), may receive support services and/or products from Schwab, TD, Ameritrade, TCA and/or Fidelity (which may include direct monetary assistance from Schwab, TD, Ameritrade, TCA and/or Fidelity to obtain certain services or products).

VFL's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, TD, Ameritrade, TCA and/or Fidelity as a result of this arrangement. There is no corresponding

commitment made by VFL to Schwab, TD, Ameritrade, TCA and/or Fidelity, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**VFL's Chief Compliance Officer, Bryan Sullivan, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

B. If a client is introduced to VFL by either an unaffiliated or an affiliated solicitor, VFL may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from VFL's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to VFL by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of VFL's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between VFL and the solicitor, including the compensation to be received by the solicitor from VFL.

## **Item 15 - Custody**

---

VFL shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. VFL may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that VFL provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by VFL with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of VFL's advisory fee calculation.

## **Item 16- Investment Discretion**

---

The client can determine to engage VFL to provide investment advisory services on a discretionary basis. Prior to VFL assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming VFL as the client's attorney and agent in fact, granting VFL full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage VFL on a discretionary basis may, at anytime, impose restrictions, **in writing**, on VFL's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe VFL's use of margin, etc.).

## Item 17- Voting Client Securities

---

- A. VFL does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact VFL to discuss any questions they may have with a particular solicitation.

## Item 18 - Financial Information

---

- A. VFL does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. VFL is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. VFL has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: VFL's Chief Compliance Officer, Bryan Sullivan, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**