

Item 1: Cover Page

Part 2A of Form ADV Firm Brochure

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Virtue Capital Management, LLC

SEC File No. 801-79938

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This brochure provides information about the qualifications and business practices of Virtue Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 615-340-0801 or via email to jmoore@virtuecm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Virtue Capital Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Effective June 20, 2014, the firm has had a change of indirect ownership. Producers Equity Group, Inc., which own 100% of Virtue Capital Management, LLC, is now owned by Jeremy Rettich, Matthew Rettich, Paradigm Partners, and Mark Patterson. Jeremy Rettich and Matthew Rettich are the control persons of Producers Equity Group, Inc.

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Item 4: Advisory Business

A. Virtue Capital Management, LLC

Virtue Capital Management, LLC ("VCM") is a Limited Liability Company organized in the state of Tennessee. Producers Equity Group, Inc., which own 100% of Virtue Capital Management, LLC, is owned by Jeremy Rettich, Matthew Rettich, Paradigm Partners, and Mark Patterson. Jeremy Rettich and Matthew Rettich are the control persons of Producers Equity Group, Inc. VCM has been offering investment advisory services since October 2013.

B. Advisory Services Offered

VCM is an independent asset management and financial planning firm offering a variety of financial services to individuals, high-net-worth individuals, banks and thrift institutions, pension and profit sharing plans, trusts, estates, or charitable organizations, and other investment advisers.

B.1. Investment Supervisory Services

VCM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VCM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

VCM offers clients the following portfolios, which are managed by separate account managers and are further described in Item 8 of this brochure:

- Foresight Investment Advisors
 - Ultra-Conservative
 - Conservative
 - Moderate
- Taiber Kosmala & Associates
 - Stop Loss Conservative
 - Stop Loss Moderate/Balanced
 - Stop Loss Aggressive
 - Current Income ETF
 - Conservative Growth ETF
 - Growth and Income ETF

- Enhanced Yield Growth and Income ETF
- F-Squared Investments
- Redwood Investment Management
- Optimus Advisory Group
 - Bull Bear Portfolio
 - High Yield Portfolio
- Alpha Mid-Cap Power Index
- Varsity Asset Management

VCM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, to the extent one is utilized for a particular client. For its discretionary asset management services, VCM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure. VCM generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, insurance products including annuities, and government securities. VCM may use other securities as well to help diversify a portfolio when applicable.

In addition to providing VCM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with prompt notice of any changes in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, VCM's reports to clients will remind clients of their obligation to inform the firm of any such changes. VCM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

B.2. Selection of Other Advisers

VCM may utilize sub-advisers or direct clients to third-party money managers. VCM will be compensated via a fee share from the advisors to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, VCM will always ensure those other advisors are properly licensed or registered as investment advisor.

Prior to introducing Pennsylvania clients to another investment advisor VCM will be responsible for determining the following:

- Whether the investment advisor is registered with the Pennsylvania Securities Commission under Section 301 of the Pennsylvania Securities Act of 1972 ("1972 Act") whether the investment advisor is relying on an exclusion from the definition of investment advisor under Section 102(j) of the 1972 Act;
- Whether the investment advisor is relying on an exemption from registration under Section 302(d) of the 1972 Act; or

- If the investment advisor is registered with the Securities and Exchange Commission, and whether it has filed a Notification Filing with the Pennsylvania Securities Commission under Commission Regulation 303.015(a).

B.3. Consulting and Financial Planning Services

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

In offering financial planning, a conflict exists between the interests of the investment adviser and the interests of the client. The client is under no obligation to act upon the investment adviser's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

Clients will receive a written or oral report (depending on the client's preference) providing a basic financial plan designed to help achieve their stated financial goals and objectives. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as domestic and international small, medium, and large capitalization securities; corporate and government fixed income (short-, intermediate-, and long-term maturities); emerging market securities (i.e., foreign issuers); real estate investment trusts; and such other alternative asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of an investment policy statement setting forth the client's investment plan, with specific direction in terms of diversification requirements, tax issues, estate planning issues, risk tolerance, retirement, and other identified objectives of the client, including a targeted rate-of-return objective.
- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client can meet daily living expenses and obligations.
- Insurance planning to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- General family office and business consulting:
 - Retirement objectives
 - Philanthropy
 - Estate planning
 - Wealth transition

- Business succession and related issues
- Recommendation of third-party managers for use by the client

VCM gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

C. Client-Tailored Services and Client-Imposed Restrictions

Each client's account will be managed on the basis of the client's financial situation and investment objectives.

D. Wrap Fee Programs

VCM participates in wrap fee programs, which are investment programs where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. VCM manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to VCM as a management fee. For more information about VCM's wrap fee program, please refer to Appendix 1 of Part 2A: Virtue Capital Management, LLC, Wrap Fee Program Brochure.

E. Client Assets Under Management

As of August 1, 2014, VCM had \$18,868,254.03 in discretionary and \$0 in non-discretionary assets under management.

Item 5: Fees and Compensation

A. Methods of Compensation and Fee Schedule

A.1. Investment Supervisory Services Fees

The advisor's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

Non Wrap-Fee Portfolios

This fee schedule is for the following portfolios (break points are per account):

- Foresight Investment Advisors
 - Ultra-Conservative
 - Conservative
 - Moderate
- Taiber Kosmala & Associates
 - Stop Loss Conservative
 - Stop Loss Moderate/Balanced
 - Stop Loss Aggressive

	Up to 500K	Next 500K	Next 1.5MM
VCM Annual Fee	1.00%	0.85%	0.75%
Advisor Annual Fee	1.00%	0.90%	0.75%
Total Annual Fee	2.00%	1.75%	1.50%

Wrap Fee Portfolios

VCM offers the following portfolios as a wrap fee:

- Taiber Kosmala & Associates
 - Stop Loss Conservative
 - Stop Loss Moderate/Balanced
 - Stop Loss Aggressive
 - Current Income ETF
 - Conservative Growth ETF
 - Growth and Income ETF
 - Enhanced Yield Growth and Income ETF
- F-Squared Investments
- Redwood Investment Management

- Optimus Advisory Group
 - Bull Bear Portfolio
 - High Yield Portfolio
- Alpha Mid-Cap Power Index
- Varsity Asset Management

For more information about VCM's wrap fee program, please refer to Appendix 1 of Part 2A: Virtue Capital Management, LLC, Wrap Fee Program Brochure.

Asset-based fees are always subject to the investment advisory agreement between the client and VCM. Such fees are payable monthly in arrears and are based on the average daily balance of the account during the month. Related accounts may be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. This option is extended to all accounts residing in the same household and certain members of the same family. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. VCM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

A client investment advisory agreement may be canceled at any time by the client, or by VCM with 30 days' prior written notice to the client. Upon termination, any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

A.2. Selection of Other Advisers Fees

VCM may use third-party money managers as sub-advisers or direct clients to third-party money managers. VCM will be compensated via a fee share from these advisers and this relationship will be memorialized in each contract between VCM and each third-party adviser. The fees shared will not exceed any limit imposed by any regulatory agency. The payment of fees for third-party investment advisers will depend on the specific sub-adviser/third-party adviser selected. Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract at any time. If a client invests with a few days left in the month, they would be billed for the actual days in which they are invested in the models. In addition, if they are in a non-wrap account, they would be responsible for any trading costs incurred.

A.3. Hourly and Fixed Fee Arrangements

Fixed Fees

Depending upon the complexity of the situation and the needs of the client, the fixed fee for creating client financial plans is typically range between \$1,000 and \$10,000. The variation of fees would depend on the complexity of the client's particular situation. Fixed fees are computed based upon a good faith estimate of hours required to perform services. VCM attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, taking into account case complexity and client-specific circumstances. Fees are paid by check in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Clients may terminate a financial planning agreement at any time with written notice to the firm. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

Hourly Fees

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$100 and \$300. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid by check to Virtue Capital Management in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Clients may terminate a financial planning agreement at any time with written notice to the firm. The fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

B. Client Payment of Fees

VCM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

VCM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

C. Additional Client Fees Charged

All fees paid for investment advisory services are in addition to and separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, third-party money managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each third-party money manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using VCM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

D. Prepayment of Client Fees

VCM does not require the prepayment of its investment supervisory fees. VCM's fees will either be paid directly by the client or disbursed to VCM by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account. A client investment advisory agreement may be canceled at any time by the client, or by VCM with 30 days' prior written notice to the client. Upon termination, any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Financial planning fees are paid via check in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Clients may terminate a financial planning agreement at any time with written notice to the firm. For hourly fee financial planning, the fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination. For fixed fee financial planning, fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

E. External Compensation for the Sale of Securities to Clients

VCM's advisory professionals are compensated primarily by VCM in the form of a percentage of fees they collect for the assets they attract to VCM available investment models. Please see Item 10.C. for detailed information and conflicts of interest.

In addition, from time to time VCM initiates incentive programs for investment advisor representatives. These programs may compensate them for attracting new assets and clients promoting investment advisory services. VCM may also initiate programs that reward representatives who meet total production criteria, participate in advanced training, and/or

improve client service. Representatives who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, marketing assistance and recognition trips.

Item 6: Performance-Based Fees and Side-by-Side Management

VCM does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

Item 7: Types of Clients

VCM generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals
- High-net-worth individuals
- Banks and thrift institutions
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Other investment advisers

Virtue requires a minimum of \$5,000 to open and maintain an advisory account or in certain circumstances an account can be established with less than \$5,000 investment but the account will be charged \$400 annually. At our sole discretion we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members. Certain third-party money managers may have higher minimum investment amounts than \$5,000 to open and maintain an advisory account.

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

A. Methods of Analysis and Investment Strategies

VCM will offer clients the following portfolios:

- Foresight Investment Advisors
 - Ultra-Conservative - The Foresight Investment Advisors Ultra-Conservative Portfolio seeks to earn positive returns in down markets while receiving a smaller portion of gains in up markets.
 - Conservative - The Foresight Investment Advisor Conservative Portfolio seeks to maintain principal in down market years while attempting to capture 50% of the market gains in up years.
 - Moderate - The Foresight Investment Advisor Moderate Portfolio seeks to average 75% of gains in up market years and seeks to limit losses to no more than 8% in down market years.
- Taiber Kosmala & Associates
 - Stop Loss Conservative - The Conservative Stop Loss Portfolio is a portfolio that is invested in 40% equities and 60% fixed income. Through active management the portfolio will invest in either a 40% equity ETF position/60% fixed income ETF position or a 100% fixed income ETF position.
 - Stop Loss Moderate/Balanced - The Moderate/Balanced Stop Loss Portfolio is a portfolio that is invested 70% in equities and 30% in fixed income. Through active management the portfolio will invest in either a 70% equity ETF position/30% fixed income ETF position or a 100% fixed income ETF position.
 - Stop Loss Aggressive - The Aggressive Stop Loss Portfolio is a portfolio that is 100% equity based. Through active management the portfolio will invest in either a 100% equity ETF position or a 100% fixed income ETF position.
 - Current Income ETF - The Current Income Portfolio is a portfolio with the primary goal of providing a consistent income with modest long-term capital appreciation as a secondary goal. The portfolio limits its exposure to equities to around 35%.
 - Conservative Growth ETF - The Conservative Growth Portfolio seeks to provide long-term growth with income as a secondary objective.
 - Growth and Income ETF - The Growth and Income Portfolio seeks to provide long-term growth to keep up with inflation while also providing for current income needs. The portfolio typically limits equity exposure to around 50%.
 - Enhanced Yield Growth and Income ETF - The Enhanced Yield Growth and Income Portfolio seeks to provide above market income with capital appreciation as a secondary goal.
- F-Squared Investments - The F-Squared Investments Portfolio is an actively managed portfolio which is driven by market volatility and price momentum data.

- Redwood Investment Management - The Redwood Investment Management Portfolio is an actively managed portfolio that seeks to be invested in high-yield bond mutual funds when the market is trending upwards and conversely, invested in money market instruments or short-term government securities when the market is trending downwards.
- Optimus Advisory Group
 - Bull/Bear Portfolio - The Optimus Bull/Bear Portfolio is an actively managed portfolio that seeks to capture total returns from corporate bonds, high yield corporate bonds, emerging market debt, and treasuries.
 - High Yield Portfolio - The Optimus High Yield Portfolio is an actively managed portfolio that invests primarily in high yield bonds.
- Alpha Mid-Cap Power Index - The Alpha Mid-Cap Power Index Portfolio is an actively managed portfolio that seeks above average market returns by focusing on seasonal influences in the stock market.
- Varsity Asset Management - The Varsity Equity Income Portfolio is a portfolio that invests using a dividend yield approach with large cap core.

VCM uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

VCM and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, VCM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. VCM may employ outside

vendors or utilize third-party software to assist in formulating investment recommendations to clients.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be suitable or profitable for a particular client.

A.1. Mutual Funds and Third-Party Money Managers

VCM may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments). VCM may also assist the client in selecting one or more appropriate third-party money manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that VCM will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

VCM has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

VCM may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

VCM reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. VCM will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by VCM on a quarterly basis or such other interval as mutually agreed upon by the client and VCM. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by VCM (both of which are negative factors in implementing an asset allocation structure). Based on its review, VCM will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

VCM may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. VCM will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

VCM will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

A.2. Material Risks of Investment Instruments

VCM typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, VCM may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Asset-backed securities
- Collateralized obligations

- Variable annuities
- Real Estate Investment Trusts ("REITs")

A.2.a. Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

A.2.b. Warrants and Rights

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

A.2.c. Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

A.2.d. Exchange-Traded Funds ("ETFs")

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs[®], streetTRACKS[®], DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQsSM") iShares[®] and VIPERs[®]. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

A.2.e. Fixed Income Securities

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

A.2.f. Corporate Debt, Commercial Paper and Certificates of Deposit

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

A.2.g. Municipal Securities

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

A.2.h. U.S. Government Securities

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

A.2.i. Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

A.2.j. Corporate Debt Obligations

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

A.2.k. Mortgage-Backed Securities

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm

may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

A.2.I. Asset-Backed Securities

Like mortgages-backed securities, the collateral underlying asset-backed securities are subject to prepayment, which may reduce the overall return to holders of asset-backed securities. Asset-backed securities present certain additional and unique risks. Primarily, these securities do not always have the benefit of a security interest in collateral comparable to the security interests associated with mortgage-backed securities. Credit card receivables are in general unsecured. Debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due.

Generally, automobile receivables are secured by automobiles. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and the technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. As a result, the risk that recovery on repossessed collateral might be unavailable or inadequate to support payments on asset-backed securities is greater for asset-backed securities than for mortgage-backed securities. In addition, because asset-backed securities are relatively new, the market experience in these securities is limited and the market's ability to sustain liquidity through all phases of an interest rate or economic cycle has not been tested.

A.2.m. Collateralized Obligations

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class

debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

A.2.n. Variable Annuities

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

A.2.o. Non-Traded Real Estate Investment Trusts ("REITs")

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT).

Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they are often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

B. Investment Strategy and Method of Analysis Material Risks

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

B.1. Margin Leverage

Although VCM, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized

and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

B.2. Short-Term Trading

Although VCM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

B.3. Short Selling

VCM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

B.4. Technical Trading Models

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

C. Security-Specific Material Risks

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There is nothing to report on this item.

B. Administrative Enforcement Proceedings

There is nothing to report on this item.

C. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer or Representative Registration

Neither VCM nor its affiliates are registered broker-dealers and do not have an application to register pending.

Members and registered advisory personnel of VCM may be registered representatives of Center Street Securities or ProEquities Securities, FINRA-registered broker-dealers and members of SIPC. Center Street Securities and ProEquities Securities are financial services companies engaged in the sale of investment products. Center Street Securities and ProEquities are not affiliated with VCM.

As a result of VCM members and registered professionals' affiliation with Center Street Securities and ProEquities Securities, such professionals, in their capacity as registered representatives of the broker-dealers, are subject to the general oversight of Center Street Securities or ProEquities Securities and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of VCM should understand that their personal and account information is available to Center Street Securities or ProEquities Securities and FINRA for the fulfillment of their regulatory oversight obligations and duties.

B. Futures or Commodity Registration

Neither VCM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

C.1. Broker-Dealer Registration

Managers, members, and registered personnel of VCM may be associated persons of Center Street Securities or ProEquities Securities, FINRA-registered broker-dealers and members of SIPC. Center Street Securities and ProEquities Securities are not affiliated with VCM.

VCM professionals who effect transactions for advisory clients may receive transaction or commission compensation from Center Street Securities or ProEquities Securities. The recommendation of securities transactions for commission creates a conflict of interest in that VCM is economically incented to effect securities transactions for clients. Although VCM strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of VCM rather than in the client's best interest. VCM advisory clients are not compelled to effect securities transactions through Center Street Securities or ProEquities Securities.

C.2. Cornerstone Retirement Group LLC

Matthew John Rettich is a licensed insurance agent and CEO of Cornerstone Retirement Group LLC, a financial planning firm. From time to time he may offer clients advice, or recommend insurance products through Cornerstone Retirement Group LLC and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Clients are in no way required to implement a plan through any representative of VCM in their capacity as a registered investment adviser with another firm. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

C.3. Virtue Advisors

Jeremy Matthew Rettich is a licensed insurance agent and President of Virtue Advisors, an insurance marketing firm. He may recommend insurance products offered through Virtue Advisors and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

C.4. Virtue Financial Advisors

Jeremy Matthew Rettich is President of Virtue Financial Advisors, a financial planning firm. From time to time, he will offer clients advice or products from this activity. VCM always acts in the best interest of the client. Clients are in no way required to implement a plan through any representative of VCM in their capacity as a registered investment adviser with another firm. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that VCM strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with VCM's employing broker-dealer.

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest

Although VCM does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients, the firm engages sub-advisers to manage VCM

client accounts and receives a portion of the advisory fees charged by VCM for its investment management services.

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

A. Code of Ethics Description

In accordance with the Advisers Act, VCM has adopted policies and procedures designed to detect and prevent insider trading. In addition, VCM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of VCM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of VCM. VCM will send clients a copy of its Code of Ethics upon written request.

VCM has policies and procedures in place to ensure that the interests of its clients are given preference over those of VCM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

VCM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, VCM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

VCM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which VCM specifically prohibits. VCM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow VCM's procedures when purchasing or selling the same securities purchased or sold for the client.

D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

VCM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other VCM clients. VCM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of VCM to place the clients' interests above those of VCM and its employees.

Item 12: Brokerage Practices

A. Factors Used to Select Broker-Dealers for Client Transactions

A.1. Custodian Recommendations

VCM participates in the institutional customer program of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers' services which include custody of securities, trade execution, clearance, and settlement of transactions. VCM receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 of this Brochure.)

VCM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by VCM, VCM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by VCM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

A.1.a. Soft Dollar Arrangements

VCM does not utilize soft dollar arrangements. VCM does not direct brokerage transactions to executing brokers for research and brokerage services.

A.1.b. Institutional Trading and Custody Services

TD Ameritrade provides VCM with access to their institutional trading and custody services, which are typically not available to TD Ameritrade's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon VCM committing to a custodian any specific amount of business (assets in custody or trading commissions). TD Ameritrade's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

A.1.c. Other Products and Services

TD Ameritrade also makes available to VCM other products and services that benefit VCM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of VCM's accounts, including accounts not maintained at TD Ameritrade. TD Ameritrade may also make available to VCM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of VCM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

TD Ameritrade may also offer other services intended to help VCM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

TD Ameritrade may also provide other benefits such as educational events or occasional business entertainment of VCM personnel. In evaluating whether to recommend that clients custody their assets at TD Ameritrade, VCM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by TD Ameritrade, which may create a potential conflict of interest.

A.1.d. Independent Third Parties

TD Ameritrade may make available, arrange, and/or pay third-party vendors for the types of services rendered to VCM. TD Ameritrade may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to VCM.

A.1.e. Additional Compensation Received from Custodians

VCM may participate in institutional customer programs sponsored by broker-dealers or custodians. VCM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between VCM's participation in such programs and the investment advice it gives to its clients, although VCM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving VCM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to VCM by third-party vendors

The custodian may also pay for business consulting and professional services received by VCM's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for VCM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit VCM but may not benefit its client accounts. These products or services may assist VCM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help VCM manage and further develop its business enterprise. The benefits received by VCM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

VCM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require VCM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, VCM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by VCM's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for VCM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, VCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by VCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence VCM's recommendation of broker-dealers such as TD Ameritrade for custody and brokerage services.

A.2. Brokerage for Client Referrals

VCM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

A.3. Directed Brokerage

A.3.a. VCM Recommendations

VCM typically recommends TD Ameritrade as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

A.3.b. Client-Directed Brokerage

Occasionally, clients may direct VCM to use a particular broker-dealer to execute portfolio transactions. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage VCM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. VCM loses the ability to aggregate trades with other VCM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

B. Aggregating Securities Transactions for Client Accounts

B.1. Best Execution

VCM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. VCM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. VCM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, VCM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions

and transaction costs. To the best of VCM's knowledge, these custodians provide high-quality execution, and VCM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, VCM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

B.2. Security Allocation

Since VCM may be managing accounts with similar investment objectives, VCM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by VCM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

VCM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. VCM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

VCM's advice to certain clients and entities and the action of VCM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of VCM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of VCM to or on behalf of other clients.

B.3. Order Aggregation

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if VCM believes that a larger size block trade would lead to best overall price for the security being transacted.

B.4. Allocation of Trades

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

VCM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if VCM determines that such arrangements are no longer in the best interest of its clients.

Item 13: Review of Accounts

A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Accounts are reviewed by the account's advisor and Jason Moore, VCM's Chief Compliance Officer. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than quarterly. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. Financial plans are reviewed by Jason Moore prior to delivery to clients. There are no post-plan reviews unless engaged to do so by the client.

B. Review of Client Accounts on Non-Periodic Basis

VCM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how VCM formulates investment advice.

C. Content of Client-Provided Reports and Frequency

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by VCM.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

A.1. TD Ameritrade

As disclosed under Item 12, VCM participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade Institutional to clients for custody and brokerage services. There is no direct link between VCM's participation in the program and the investment advice it gives to clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Consulting services
- Access to a trading desk serving our clients
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to our client's accounts)
- The ability to have advisory fees deducted directly from our client's
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees, and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third-party vendors

TD Ameritrade may also have paid for business consulting and professional services received by VCM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit VCM but may not benefit its clients' accounts. These products or services may assist VCM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help VCM manage and further develop its business enterprise. The benefits received by VCM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to clients, VCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by VCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence VCM's choice of TD Ameritrade for custody and brokerage services.

B. Advisory Firm Payments for Client Referrals

VCM may enter into agreements with solicitors who will refer prospective advisory clients to VCM in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with VCM. The solicitor must provide the client with a disclosure document describing the fees it receives from VCM, whether those fees represent an increase in fees that VCM would otherwise charge the client, and whether an affiliation exists between VCM and the solicitor.

Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by VCM to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

Item 16: Investment Discretion

Clients may grant a limited power of attorney to VCM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, VCM will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions

Item 17: Voting Client Securities

VCM does not take discretion with respect to voting proxies on behalf of its clients. VCM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of VCM supervised and/or managed assets. In no event will VCM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, VCM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. VCM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. VCM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, VCM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where VCM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

Item 18: Financial Information

A. Balance Sheet

VCM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

VCM does not have any financial issues that would impair its ability to provide services to clients.

C. Bankruptcy Petitions During the Past Ten Years

There is nothing to report on this item.