

VALIDEA | CAPITAL MANAGEMENT

363 Ridgewood Rd | West Hartford, CT 06107

phone: (800) 730-3457

facsimile: (860) 760-6661

email: info@valideacapital.com

web: www.valideacapital.com

March 2015

This brochure provides information about the qualifications and business practices of Validea Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (800) 730-3457 or info@valideacapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Validea Capital Management also is available on the SEC's web site, www.adviserinfo.sec.gov.

Item 2, Material Changes

ADV Part II additions and edits in December 2014.

- Included disclosures relating to the management of the Validea Market Legends ETF and the trade execution rules that will be followed. (item 1)
- Added disclosures relating to the fees charged to private clients invested in the Validea Market Legends ETF and the avoidance of double billing. (item 5)

ADV Part II additions and edits in March 2014.

- Additional disclosures on the strategies that combine the Validea Capital models with the models created by Jon Markman. (item 4);
- Additional disclosures regarding two new documents clients are required to sign when opening an account with Validea Capital (item 4);
- Additional disclosures relating to the FOLIOfn brokerage fees. (item 5);
- Added more detail on the various investment portfolios and categories of strategies (item 8);

ADV Part II additions and edits in July / August 2013.

- Additional disclosure was added regarding the quantitative nature of Validea Capital's investment strategies (item 4);
- Additional details were added about Validea Capital's tax management system and more actively managed investment strategies. Some portfolios look to hold positions and maximize long term gains, while others are more actively managed. Strategies that do not incorporate Validea Capital's tax management system will take the majority of gains as short term gains for tax purposes (item 8);
- Details explaining that each quarter, private clients receive Validea Capital's private client letter, which has information related to the performance of our strategies and the firm's overall thoughts on the market and long term investing principles (item 13);
- Updated custodian information – Individual Retirement Accounts are custodied at Kingdom Trust Corp, via FOLIOfn Investments, LLC. (item 15);
- Disclosure about discretionary account management and moving to cash – specifically, clients have the ability to log into their accounts in real-time and have the ability to instruct Validea Capital to go to a 100% cash position (i.e. sell the investment strategies they are invested in) at any time.

ADV Part II additions and edits in March / early April of 2012

- Additional disclosure relating to Validea Capital's partnership with Jon Markman and the differences between Markman's investment newsletters, advertisements and marketing and the historical performance claims in those publications and our separately managed account offerings.

Item 3, Table of Contents

Item 2, Material Changes	2
Item 3, Table of Contents.....	2
Item 4, Advisory Business	4
Item 5, Fees & Compensation.....	6
Item 6, Performance-Based Fees 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	9
Item 11, Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	10
Item 12, Brokerage Practices	10
Item 13, Review of Accounts	11
Item 14, Client Referrals and Other Compensation.....	11
Item 15, Custody	11
Item 16, Investment Discretion	11
Item 17, Voting Client Securities.....	12
Item 18, Financial Information.....	12
Part 2B of Form ADV	13
Item 2B, Educational Background & Business Experience.....	13
Item 3B, Disciplinary Information	13
Item 4B, Other Business Activities	13
Item 5B, Additional Compensation.....	14
Item 6B, Supervision	14

Item 4, Advisory Business

Validea Capital Management is a registered investment advisor based in West Hartford, Connecticut. We are organized as a limited liability corporation under Connecticut law. Validea Capital is a fee only, independent investment advisor that manages various investment portfolios for clients using a series of quantitative, systematic stock-selection strategies. The firm, which was founded in 2004, currently manages a number of actively managed equity strategies ranging from long only (highest risk) to rotational to reduced risk portfolios. The principal owners of the firm are John Reese, Jack Forehand and Justin Carbonneau.

All the clients that invest with Validea Capital invest through separately managed accounts and grant Validea Capital discretionary authorization over their investments with our firm. Discretionary authorization allows Validea Capital to determine the specific securities, and the amounts of securities, to be purchased or sold for a client's account without the approval of a client prior to the transaction taking place. Discretionary authority is granted through the execution of Validea Capital's investment advisory agreement, which each investor is required to sign prior to becoming a client.

The Validea Capital portfolios, which are managed by John Reese and Jack Forehand, follow a set of quantitative investment strategies. Through Validea Capital's managed portfolio offering, clients are invested in one or many of the firm's actively managed equity portfolios, which are relatively concentrated. (The portfolios hold 10 to 60 individual positions consisting of equities, mutual funds and exchange-traded funds). The investment strategies range from long-only, fully invested portfolios to rotational strategies that move in and out of equities to asset allocation approaches, which invest in both equities and other asset classes. Most private clients are invested across multiple strategies within their managed accounts. Because Validea Capital's portfolios are systematic, and quantitative, there is no one person responsible for the selection of the individual stocks in the portfolios. Rather, a series of fundamental and technical based investment models are used to select which stocks/ETFs should be bought or sold within a particular portfolio and whether or not a particular strategy is invested or in cash or partially in cash.

Validea Capital's managed portfolios are, in part, created from the investment ideas of a subscription investment advisory service with attractive performance records. Specifically, Validea Capital uses the investment models and ideas from The Reese Group, LLC DBA Validea.com. Validea.com is a separate entity which offers stock research and stock analysis on a subscription basis, and through affiliated research partners, using its interpretation of the published strategies of a selected set of investment "gurus". In many instances, Validea Capital Management purchases for its clients' managed accounts stocks that are also selected on the Validea.com site. To prevent any conflicts, Validea Capital and Validea.com simultaneously release new lists of stocks passing the underlying investment models to clients and subscribers.

Validea Capital provides investment advisory services to the Validea Market Legends ETF. The Validea Market Legends ETF shares are part of the ETF Series Solutions ETF Trust (a US Bank owned and operated trust). The Market Legends ETF is constructed using the same underlying investment system utilized in the private client managed accounts, however the selection of models within that system will vary. New buys and sells in the Validea Market Legends ETF will take place on the same rebalancing dates as our private client managed portfolios. To ensure fairness across all parties, Validea Capital will begin executing the trades for the ETF at 11am, which is the same time the private client accounts begin execution (trades take place for the private accounts starting at 11am at FOLIOfn on the day of each rebalancing). This ensures that both the ETF and client accounts are treated fairly.

In addition to the managed portfolios outlined above, Validea Capital also offers portfolios that combine its stock selection system with a second quantitative model, jointly developed with Jon Markman. Jon Markman is founder of Markman Capital Insight, LLC, an investment newsletter that is a separate entity from Validea Capital Management, LLC. This second set of investment strategies range from long-only, fully invested portfolios to rotational and asset allocation approaches. Clients invested in the combined Validea Capital and Markman models, are typically invested in one or two actively managed portfolios that are relatively concentrated (holding 25 to 50 positions), and which hold individual securities and exchange-traded funds (ETFs).

Validea Capital's managed account models jointly created with Jon Markman are completely separate from the impersonal investment advice described in third party publications that feature Jon Markman and that may include references to Markman and his investment performance cited outside of Validea Capital. The performance returns of the combined Validea Capital / Markman separately managed account portfolios, managed using strategies in-part created by Jon Markman, are likely to be substantially different than the returns that are described in any third party publication or marketing materials that are published by or feature Jon Markman. When evaluating the combined Validea Capital / Markman, investors should rely on the published performance from the separately managed accounts and not any performance cited in third party publications or Jon Markman's various newsletters. During the account opening process, all clients sign an additional disclosure / acknowledgement form that confirms the clients understanding that the separate managed accounts are completely separate from the Validea.com and Markman Capital Insight investment research subscription based products.

All clients invested in Validea Capital's strategies have their investment allocations adapted for their individual circumstances. Specifically, during the account opening process, Validea Capital acquires important information regarding the client's overall financial situation (employment status, income, net worth, time horizon, risk tolerance and more) on its "Client Information Worksheet" (this worksheet is part of the firm's account-opening document package.). In addition, client will also complete a "Client Allocation" document, which is a form that requires clients to rate themselves on a risk/return scale in an effort to help Validea Capital determine the most appropriate long term allocation for their investment with us. Based on a combination of this document, the Client Information worksheet and one-on-one calls, emails or meetings, we develop an investment allocation (i.e. the mix of investment models to be used) that best meets the client's goals and risk tolerance. Once the advisor confirms that the mix of portfolios is appropriate given the client's circumstances, risk tolerance and goals, and the client approves the portfolio mix, the investment is placed in one or many of Validea Capital's portfolios.

All private clients have the ability to impose investment restrictions on their managed accounts with the firm. Investment restrictions can be added to the accounts during the account opening process or at any time. Also, all clients have real-time access to their accounts and can log in and view their investments at any time. Validea Capital encourages all clients to take advantage of this transparency and monitor their investments over time. We do not enforce any lock up and there are no penalties assessed by Validea Capital for closing an account or removing money from an account.

As of March 2015 Validea Capital managed approximately \$84 million in discretionary accounts and ETF assets. In addition to the managed account assets, Validea Capital provides portfolio and investment strategy development and model management on two mutual funds offered in the Canadian market as well a managed account basket. Together, the two funds and basket had assets of \$862 million (in Canadian dollar terms) as of March 2015. (see *Item 10 for further information on the sub advised mutual funds and investment products*).

Item 5, Fees & Compensation

Validea Capital charges advisory fees on a sliding scale based on the amount of a client's assets under management (AUM). For individual accounts, the annual rate for accounts with up to \$1 million under management is 1.5%; for accounts with between \$1 million and \$1.5 million it is 1.2%; and for accounts above \$1.5 million it is 1.0%. For accounts with \$1.5 million to \$7.49 million it is 1.0%; for accounts with \$7.5 million to \$14.99 million it is 0.75%; for \$15 million to \$24.99 million it is 0.65%; and for \$25 million and above it is 0.55%. For the advisory fees, once the account assets reach each AUM breakpoint, the entire account is billed at the new, lower fee level. These fees may vary and for a small number of accounts fees are negotiable. The schedule outlined above does not include brokerage fees or commission costs. Clients with accounts at FOLIOfn Investments are billed quarterly in arrears (i.e. 1/4th of the annual management fee per quarter) based on the average daily balance of one's account throughout the quarter.

Brokerage fees and commission costs for clients' with accounts at FOLIOfn Investments will be on a sliding scale based on the amount of a client's assets under management. Accounts with up to \$500,000 will be billed 0.20% per year, while asset ranges from \$500,000 to \$1.0 million will be billed 0.15%, ranges from \$1.5 million to \$5.0 million will be billed 0.10% and assets of more than \$5.0 million will be billed 0.05%. For the brokerage fees, once the account assets reaches each AUM breakpoint, the subsequent assets is billed at the lower fee rate while the lower AUM levels are still billed at the higher rates. FOLIOfn fees cover all commissions on our rebalancing trades that take place within one of the two daily trading windows FOLIOfn offers. Accounts are not aggregated or combined and the brokerage fee schedule above is for each account the client maintains at FOLIOfn. The two windows for trading are at 11am ET and 2pm ET, and Validea Capital always will trade client accounts on the trading windows unless a client requests that we trade outside of the trading windows. If a client instructs Validea Capital to sell securities outside either of the two trading windows, FOLIOfn's direct trading fees will apply and these fees are not include in FOLIOfn's asset based fee schedule outlined above.

Advisory and brokerage fees are deducted directly from client accounts by the Custodian. The fee deduction for each full quarter is based on the average daily account balance throughout the quarter and is calculated at the end of the quarter by the Custodian (FOLIOfn Investments, Inc). If a client closes an account prior to the end of the quarter, Validea Capital calculates the prorated management fees by averaging the starting balance of the account at the beginning of the quarter and the ending balance of the account as of the last day of management. It then applies the client's fee rate, and instructs the custodian to debit the fees due for the partial period. Validea Capital does not receive commissions for the sale of any investment products, including stocks, mutual funds or other securities. Advisory and brokerage costs are disclosed in three separate places with each account: the Advance IA billing reports (in the client's Filing Cabinet), the transaction history and the monthly statements. Clients should review these statements carefully and if there is any question regarding the advisory or brokerage billing please contact us at the number on the cover page.

As part of our investment advisory services, we may invest in mutual funds or exchange traded funds. The fees that you pay to our firm for investment advisory services and the fees you pay to FOLIOfn for brokerage and trading costs are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (as described in each fund's prospectus) to their shareholders. The fees associated with mutual funds or exchange traded funds generally include a management fee and other fund expenses.

Pursuant to an advisory agreement between Validea Capital and the ETF Series Solutions ETF Trust, the Validea Market Legends ETF pays Validea Capital an advisory fee at an annualized rate of 0.79% which is calculated daily and paid monthly, based on its average daily net assets. Potential investors should review the Validea Market

Legends ETF prospectus and Statement of Additional Information (“SAI”) for additional information on Validea Capital's compensation.

In some instances, private clients of Validea Capital Management with separately managed accounts may have part or all of their investment placed in the Validea Market Legends ETF. To avoid double charging of fees (i.e. being charged a managed account fee and also the advisory fees on the ETF), Validea Capital will develop a customized billing plan for each individual circumstance so that double billing is avoided. In the instances that a private client of Validea Capital is also invested in the ETF, Validea Capital will adjust the fees on the managed accounts to reflect that a portion of a client's investment is invested in the ETF, thus avoiding the doubling of management fees.

In addition to the asset-based fees charged on discretionary accounts, Validea Capital also receives consulting payments for portfolio and investment strategy development and model management on two mutual funds in the Canadian market (*see Item 10 for further information*). From time to time, the firm may also provide similar types of consulting services to individuals or external advisories who request access to one or many of the firm's investment strategies.

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

Validea Capital does not offer performance-based, incentive-based fee arrangements or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as a described in the “Advisory Business” section above, and are not charged on a basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7, Types of Clients

Validea Capital manages accounts for individuals, trusts and corporate entities. The majority of the firm's clients hire the firm to manage the equity portion of their investment portfolio. The firm imposes a minimum investment of \$250,000 for opening an account. However, the firm may take accounts at lower than the stated minimum requirement and reserves the right to adjust this minimum investment level on a case-by-case basis. Clients can aggregate various accounts to meet the firm's minimum investment threshold.

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

All of the investment strategies run by the firm involve the selection of individual stocks, mutual funds and ETFs utilizing one or many systematic investment models. These strategies use a combination of financial, valuation and technical criteria and metrics when determining which holdings will be added or removed from a particular portfolio or whether or not a specific investment portfolio, or part of that portfolio, will remain invested in individual securities or ETFs.

Specifically, our stock selection models are based on our interpretation of the published strategies of Wall Street legends. These models select fundamentally sound stocks, based on our system, and combine elements of both growth and value. Validea Capital offers 20 primarily value-driven systematic-based portfolios that are managed

via separately managed accounts. Each portfolio is a blend of multiple proven quantitative strategies that are combined together based on correlation factors. Below is a list of strategies that Validea Capital formally offers to investors. In addition to these portfolios, the firm does run other custom strategies that can and are utilized in various client accounts.

Long Only Portfolios: For investors seeking the best long-term returns who can handle the ups and downs of the stock market.

- Consensus: 50-stock all-cap value portfolio with elements of growth.
- Select Blend: 60-stock small- and mid-cap blend portfolio.
- Top Gurus: 30-stock focused small- and mid-cap blend portfolio.
- Dividend Value: 40-stock large- and mid-cap value portfolio with dividend focus.
- International: 20-stock large-cap ADR portfolio.
- Hot List: 10-stock focused portfolio for aggressive investors.
- Fusion Blend: 25-stock all cap growth, value and momentum portfolio that is a combination of Validea Capital's investing system and Jon Markman's models.

Moderate Risk Portfolios: For investors who want exposure to stocks, but want to limit risk with exposure to other asset classes.

- Asset Allocation: Combines our Consensus model with multiple other asset classes.
- Core Allocation: Combines Validea Capital's investing system and Jon Markman's models with multiple other asset classes and a technical timing overlay.

Reduced Risk Portfolios: For investors who want to substantially reduce risk by combining a small exposure to stocks with uncorrelated asset classes.

- Permanent Portfolio: Equal blend of stocks, short- and long-term bonds and gold

Rotational Portfolios: For investors who want to be invested in stocks most of the time, but want protection from major declines.

- Market Rotation: Seeks to limit losses by moving to cash during market declines.
- Hot List Rotation: Focused portfolio that seeks to limit losses during market declines.
- Fusion Blend Rotation: The combined stock selection models of Validea Capital and Jon Markman coupled with Validea Capital's rotational system, which looks to limit losses by moving to cash during market declines.

Most of the portfolios listed above have significant exposure to equities. Furthermore, clients in our lower risk portfolios may also have exposure to higher risk models based on their specific circumstances, risk tolerance and goals. As a result of this, there is the potential for loss over any timeframe and clients should be prepared to bear this loss. Also, due to the mostly concentrated nature of Validea Capital's strategies, the firm's portfolios tend to exhibit more volatility than the overall market or comparable benchmark. To this extent, clients should be prepared for above-market volatility in the firm's long only and rotational investment strategies over any time period. In addition, it should be noted that no investment strategy works all the time and Validea Capital's models are no different. We do not represent or guarantee that our advisory services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections, market volatility or major market declines. Validea Capital does not guarantee profitable future results

despite favorable past performance and we cannot offer any guarantee or promises that your financial goals or objectives will be met.

Validea Capital's portfolio offerings, which include the Markman portfolios, incorporate a highly disciplined rebalancing approach in which each portfolio and its holdings are reviewed on a monthly basis and changes to the holdings occur based on the underlying fundamentals of each holding. Some portfolios incorporate a tax management system that attempts, when possible, to focus sales on losing positions and winning positions held for at least 12 months to maximize tax efficiency. For these portfolios, we estimate that approximately 80-90% of the gains will be long term gains after the client has been invested in the portfolio for at least twelve months. During the first 12 months, any gains that are taken will be short-term until the client's holding periods for each security gets synchronized with the holding period of the model. In addition to these tax managed portfolios, Validea Capital manages more active portfolios where tax consequences are not a focus of the strategy. These are typically more active, higher turnover strategies. As a result, nearly 100% of the gains generated by these portfolios are likely to be taxed at the short term capital gain rate, which will vary depending on the individual investor's income tax bracket.

Item 9, Disciplinary Information

There are no past or outstanding disciplinary actions or complaints filed against or about Validea Capital Management or any of its partners.

Item 10, Other Financial Industry Activities and Affiliations

There are two affiliations/partnerships that the firm believes are important to disclose.

The first is that Validea Capital Management, LLC has entered into an arrangement with Fiera Capital and National Bank Securities, under the terms of which Validea Capital will provide sub-advisory services to certain mutual funds offered only in the Canadian market. Validea Capital follows a different portfolio rebalancing and review approach for the funds than is used for its managed accounts. The mutual fund system is, however, based on the same underlying principles as are used in the Validea Capital portfolios. Because there is some overlap in the underlying quantitative strategies used for the mutual funds and for Validea Capital's managed accounts, there will be some cases in which stocks that are selected for Validea Capital Management client accounts will also be holdings in the mutual funds. Under the terms of the mutual fund agreement, Validea Capital is the sub-advisor and Fiera Capital is the advisor. Validea Capital receives compensation for its services in relation to these funds.

The second is that Validea Capital Management, LLC has entered into a strategic agreement with Jon Markman to jointly create quantitative models. Under the terms of the agreement, Jon Markman will contribute to the development of the investment strategy and provide leads for the portfolio management offering. Validea Capital Management is responsible for all other aspects of the business, including but not limited to portfolio management, account management and client services, sales and compliance. Jon Markman is owner of Markman Capital Insight LLC, a stock market research and newsletter provider, and a columnist for Marketwatch.com and a former MSN Money contributing editor. Markman Capital Insight is separate research firm owned by Jon Markman and is not affiliated with Validea Capital Management. Through Jon Markman's newsletters and column, Markman provides insights into global stock markets, trading strategies and stock investment ideas. The Validea Capital/Markman managed portfolio offering utilizes a set of quantitative investment models, in part generated by Jon Markman, and

in some instances the holdings in the Markman Portfolios managed accounts may be the same as the ideas discussed in his newsletter and column.

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

Summary of Code of Conduct & Ethics and Procedures Manual

Validea Capital Management expects all its employees and representatives to adhere to the highest standards of ethics and integrity. All representatives of the company should put the interests of our clients above all else and should have all their decisions guided with our clients' best interests in mind. Representatives are expected to adhere to all securities laws, as well as the firm's Code of Conduct & Ethics, the AIMR code of ethics and the firm's compliance procedures manual.

Validea Capital's Code of Conduct & Ethics is predicated on the principle that the firm owes a fiduciary duty to its clients. Accordingly, Validea Capital's employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients. All partners and key employees review and acknowledge reviewing Validea Capital's Code of Conduct and Ethics on an annual basis.

Clients may request a copy of Adviser's Code of Conduct & Ethics and Compliance Procedures Manual by contacting Justin Carbonneau, Chief Compliance Officer, at (860) 656-0383 or John Reese, CEO and Founder, at (860) 656-6036.

Personal Trading Policy

Validea Capital partners and Related Persons are permitted to buy and sell the same investment models or securities that are held in client accounts only if the trades occur at the same time or after the trades for clients in the corresponding investment models. Employees must submit their brokerage statements quarterly to the Compliance Officer for review and archiving. If a conflict of interest is declared by a Related Person or determined by the Compliance Officer, the conflict will be disclosed to affected clients via an email.

Item 12, Brokerage Practices

All clients direct Validea Capital to use FOLIOfn Investments, Inc., the recommended online brokerage and custodian where the firm's assets are held. Validea Capital has selected FOLIOfn because they offer highly cost-effective commission rates and superior basket trading technologies that allow Validea Capital to manage portfolios in the best way possible across all client accounts.

While we believe FOLIOfn to be the best brokerage and custodian for our clients, we cannot guarantee that FOLIOfn is the most cost-effective trading solution in the marketplace. As such, clients may pay more over time by having a managed account at FOLIOfn than at another brokerage and custodian.

Validea Capital is independently owned and operated and we are not affiliated with FOLIOfn and we do not receive any compensation for directing business to FOLIOfn.

Item 13, Review of Accounts

All of the portfolios Validea Capital manages are actively managed, and we make portfolio changes and adjustments at least monthly, depending on the portfolio's underlying strategy. To ensure that a particular allocation or portfolio is still suitable for a client, we call or email clients annually in an effort to discuss their investment with Validea Capital and to determine if anything in their personal or financial situation has changed. In addition to annual reviews, the firm's employees and partners are readily available to clients and respond to questions, thoughts and concerns in a reasonable time period. Furthermore, ad-hoc reviews occur throughout the year depending on the circumstance and needs of clients. However, it should be noted that all clients are responsible for advising us of any changes in their investment objectives, risk tolerance or financial situation.

On a quarterly basis, all clients receive our quarterly private client letter. Inside each letter, we discuss the performance of our portfolios, as well as provide our thoughts on the overall market and our strategies, and insights and thoughts related to long term investing principles. Private client letters are emailed to clients, and past client letters are available upon request. Notifications of monthly account statements being available directly in their accounts are sent to the client, via email, directly by FOLIOfn Investments. Some clients opt to receive hardcopy statements, which are sent to the client via regular mail.

John Reese, Validea Capital's founder and CEO, and Justin Carbonneau, a partner at the firm, conduct all account reviews and investment allocation discussions. Validea Capital communicates with its clients quarterly through an electronic letter (email) from the firm's partners. This letter reports the performance of each portfolio over various time periods and incorporates Validea Capital's market and strategy-specific insights.

Item 14, Client Referrals and Other Compensation

Validea Capital does not engage or compensate any third party or individual for producing client referrals.

Item 15, Custody

Validea Capital Management does not maintain custody of client assets. FOLIOfn Investments, Inc. the preferred brokerage firm, is the custodian for all client accounts. For Individual Retirement Accounts (IRAs), Kingdom Trust is the custodian via FOLIOfn Investments. Clients will receive monthly statements and trade confirmations directly from FOLIOfn (either electronically or hard copy). Clients should review these statements and any notification from FOLIOfn closely and carefully for accuracy as these reports provide important information regarding their managed account. In addition to the statements and confirmations, clients have real-time access to their accounts online and clients should monitor the account regularly. As outlined in the "Fees and Compensation" section, advisory and brokerage fees are calculated and deducted directly from client accounts by the Custodian.

Item 16, Investment Discretion

All clients of Validea Capital Management grant the firm discretionary authority to manage one or many of their accounts in the investment portfolios the firm runs. Clients have the ability to impose investment restrictions on their accounts or switch between various portfolios, assuming the change is consistent and reasonable given their goals, timeframe and risk tolerance. This discretionary management authority is obtained by Validea Capital with

each client signing the firm's investment management agreement, which states that *"Adviser will direct, in Adviser's sole discretion and without first consulting Client, the investment and reinvestment of the assets in Client's account (the "Account") in securities and cash or cash equivalents. Adviser will also provide investment advisory services to client."*

All clients have real-time access to their accounts via the FOLIOfn web site (www.folioclient.com) and can log into the account as often or as little as they would like. At any time, a client can request that Validea Capital stop managing the account and request that the funds within the account be placed into a cash position. Validea Capital can typically place a client into a 100% cash position within one trading day of a request. Requests to move to a full or partial cash position can be communicated to Validea Capital via phone, email or fax and clients will receive written confirmation of receipt of such a request.

Item 17, Voting Client Securities

Validea Capital will vote proxies on behalf of all clients unless the client has explicitly indicated their desire to not have proxies voted on their behalf. Each client grants Validea Capital the authority to vote proxies by checking off, "Advisor Will Vote", in the Proxy Voting section of the firm's Discretionary Asset Management agreement. As a matter of policy and as a fiduciary to our clients, Validea Capital votes on proxies consistent with the best economic interests of the clients. All corporate announcements and activities are communicated to clients within the Message Center in their FOLIOfn accounts. Clients can review these corporate announcements by logging into their account and clicking on the "Corporate Activities" button on the My Accounts page. This window will show recently decided elections on corporate actions and undecided (i.e. no vote has been submitted) actions that still need to be voted on.

Item 18, Financial Information

N/A

Part 2B of Form ADV

This part of the brochure provides information about John Reese, Jack Forehand and Justin Carbonneau that supplements the Validea Capital Management brochure disclosure information discussed above. Should you have any questions on this material, please contact Validea Capital Management at (800) 730-3457 or info@valideacapital.com.

Item 2B, Educational Background & Business Experience

John P. Reese, born 1953, has a BSEE from MIT and an MBA from Harvard Business School, and is the co-founder of Validea Capital Management, LLC. He is also the founder and Chairman of Validea.com and The Reese Group LLC (founded 1995), a stock research and stock newsletter service. Mr. Reese is the author of two investment books and holds two patents in the area of automated stock analysis.

Jack M. Forehand, born 1976, has a BA in Economics from the University of Connecticut, and is the co-founder of Validea Capital Management, LLC. He has earned the right to use the Chartered Financial Analyst designation. Since July 2003 he has also served as Director of Research and President for Validea.com and The Reese Group LLC, the owner and operator of the investment research provider Validea.com. He was a founding team member of Validea.com.

Justin J. Carbonneau, born 1976, has a BA in Economics and an MBA in Strategic Consulting and a concentration in Finance from the University of Connecticut. He is a partner at Validea Capital Management, LLC, and is the firm's compliance officer. Since 2003, Mr. Carbonneau has acted as the principal business development partner for Validea.com and The Reese Group LLC, a stock research and stock newsletter service. From June 2003-March 2005 he was a consultant and member of CIGNA's Healthcare Executive Leadership Development Program and served as a group Controller.

Item 3B, Disciplinary Information

There are no past or outstanding disciplinary actions or complaints filed against or about Validea Capital Management or any of its partners.

Item 4B, Other Business Activities

John Reese, Jack Forehand and Justin Carbonneau are also involved in running Validea.com and The Reese Group LLC, an online stock research site and stock newsletter service that is a separate legal entity from Validea Capital Management. The partners have been working together at Validea.com since 2003 and part of their time each week is dedicated to running and providing support to that business.

Item 5B, Additional Compensation

N/A

Item 6B, Supervision

John Reese and Justin Carbonneau advise the clients of the firm. Communication with clients is tracked in the firm's CRM system. Specifically, phone conversations are summarized and logged in the system and emails, both from and to the firm, are archived and reviewed regularly by Justin Carbonneau. The objective of these reviews is to ensure that the firm is meeting the highest fiduciary standards when advising clients. Mr. Carbonneau also regularly reviews correspondence to ensure that both he and Mr. Reese are meeting the firm's compliance guidelines and rules. Mr. Carbonneau is a partner at the firm and can be reached at (860) 656-0383.