



Vellum Financial, LLC

Appendix 1 of Form ADV, Part 2A Wrap Fee Program Brochure April 10, 2015

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This wrap fee program brochure provides information about the qualifications and business practices of Vellum Financial, LLC ("VFL"). If you have any questions about the contents of this brochure, please contact us at (805) 546-1000 or dito@vellumfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about VFL is also available on the SEC's website at www.adviserinfo.sec.gov.

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

Item 2 – Material Changes

This wrap fee program brochure was amended to provide disclosure regarding VFL's conflict of interest when it recommends mutual funds that are not subject to any sales charges over other comparable mutual funds. In addition, disclosure was added to inform you that VFL's Managing Member, Bryan Sullivan, is now an owner and Principal of AlphaGen Strategies, LLC, which provides the algorithmic trading system used by VFL in the management of VFL's Tactical Active Management Strategies. Finally, disclosure was added regarding the solicitation arrangement between VFL and Melinda Monteen of Monteen Insurance and Investments, Inc. No other material changes have been made to this wrap fee program brochure since its initial version dated May 5, 2014.

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Item 4 – Services, Fees and Compensation

A “wrap fee program” provides clients with at least two types of services, investment advisory and trade execution, for a single “wrap” fee. The wrap fee paid to VFL by clients who participate in the Vellum Managed Wrap Program (the “Program”) covers all fees and costs associated with portfolio management, trade execution, custody, and client reporting relating to Program assets. All portfolio management services for clients participating in the Program are provided by VFL.

VFL’s annual wrap fees are based on a percentage of the market value of the client’s Program assets and generally are as follows:

<u>Market Value of Program Assets</u>	<u>Annual Wrap Fee%</u>
\$0 - \$5,000,000	2.5%
>\$5,000,000	2.0%

Wrap fees, however, are negotiable based on various objective and subjective factors including, but not limited to, the amount of aggregate assets placed under VFL’s management, the investment strategy that the client’s Program assets are managed under, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement. Generally, the portion of the annual wrap fee retained by VFL for the provision of portfolio management services ranges within 1.79% to 2.29% of a client’s Program assets.

Program clients should be aware that the wrap fees they pay maybe more or less than the costs they would incur if they purchased each of the services provided by the Program separately. Additionally, the wrap fee is not based on the number of transactions effected in Program accounts and consequently, the likelihood that a client may pay higher investment advisory fees increases as the number of transactions effected in a client’s Program account(s) decreases. Furthermore, while VFL does not charge Program clients higher fees based on the volume of trading in their Program account, VFL may have an incentive to limit trading in a client’s Program account(s) because the execution costs that VFL incurs is based on the aggregate number of trades executed in the accounts of Program clients. Program clients should also be aware that VFL has a conflict of interest when it recommends mutual funds that are available for purchase on a no-load and/or no-transaction fee basis over other comparable mutual funds that are subject to sales charges as VFL does not incur any expenses relating to such transactions, which ultimately reduces VFL’s costs in providing its advisory services.

In addition to the wrap fee discussed above, clients may also pay markups/markdowns on fixed income transactions as well as other charges imposed by custodians, brokers and other third parties such as odd-lot differential fees, transfer taxes, wire transfer and electronic fund transfer fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges and fees are exclusive of and in addition to VFL’s wrap fee. Consequently, Program clients will pay two levels of investment management fees, one embedded within VFL’s wrap fee and one embedded within

the net asset value of the mutual funds and exchange traded funds that Program clients are invested in.

Investment advisory representatives of VFL (“IARs”) who recommend the Program to VFL clients receive a portion of VFL’s wrap fees. The amount of compensation received by IARs for Program assets will vary and the amount of such compensation may be more than what they would receive if the Program client elected to receive advisory services on a non-wrap fee basis from VFL or paid separately for investment advice, brokerage, and other services. Consequently, IARs may have an incentive to recommend the Program to clients over other programs or services offered by VFL.

Item 5 – Account Requirements and Types of Clients

VFL generally requires a minimum account opening balance of \$400,000 for the Program, but VFL may group certain related client accounts for the purposes of achieving the minimum account size requirements. Account minimums, however, are negotiable, subject to an absolute \$100,000 minimum floor as accounts smaller than \$100,000 cannot generally be managed effectively according to the strategies that VFL offers through the Program. Program clients are generally individuals and high net worth individuals, which include trusts, estates, 401(k) plans and IRAs.

Item 6 – Portfolio Manager Selection and Evaluation

SELECTION OF PORTFOLIO MANAGERS

All Program accounts are managed exclusively by VFL through the IAR assigned to the account. VFL does not make available outside portfolio managers as part of the Program. It is VFL’s belief that both it and its IARs have sufficient financial background and experience to provide the types of portfolio management services offered by the Program. Program clients are encouraged to review the respective Form ADV, Part 2B(s) (“Brochure Supplement(s)”) for the IAR(s) assigned to their Program account for information on their specific background and experience.

VFL does not calculate composite performance returns for itself or its IARs, but does provide Program clients with quarterly performance information relative to their account(s). Program clients should be aware that no third-party, to VFL’s knowledge, reviews any performance information that is created, prepared or distributed by or on behalf of VFL to determine the accuracy of the returns or its compliance with any applicable presentation standards. When providing quarterly performance information to clients, VFL endeavors to provide clients with time-weighted returns that are calculated on a uniform and consistent basis.

VFL AS PORTFOLIO MANAGER

As noted above, VFL is the only portfolio manager for the Program. Program clients should be aware that this practice of limiting the Program’s offering of portfolio management services to those provided

by VFL creates a conflict of interest as this practice allows VFL to retain a greater portion of the Program's wrap fees.

VFL DISCLOSURES

As noted above, VFL acts as the sole portfolio manager for the Program, which manages all Program accounts through the assigned IAR. The following provides information on the Advisory Services provided by VFL to Program clients.

1. Types of Advisory Services

VFL offers two types of portfolio management services as part of the Program, which are described in detail below:

a. Tactical Active Management Strategies

VFL's Tactical Active Management Strategies (i.e., Bond Portfolio, Conservative Portfolio, Moderate Portfolio, Moderate Growth Portfolio, and Growth Portfolio) are based on an active quantitative process that is designed to seek out and capture profits in up markets and take defensive positions during down markets by tracking the investment price movements of hundreds of potential investments, primarily mutual funds, in an attempt to find advantageous entry and exit points. These strategies utilize an algorithmic trading system created and maintained by AlphaGen Strategies, LLC ("AlphaGen") and licensed to VFL. Each strategy consists of 11 different trading models, which, in turn, consist of 9 to 14 investments. VFL is responsible for determining and setting the specific parameters that AlphaGen's algorithmic trading system must operate within by determining which 11 trading models each strategy will utilize and then determining the universe of investments that AlphaGen's algorithmic trading system may choose from based on VFL's determination of what is appropriate for each strategy and/or model. Using mathematical algorithms that analyze market data, AlphaGen's trading system then provides VFL with daily recommendations on securities to buy, sell, and/or hold, which are then either accepted and implemented or rejected by VFL. A primary benefit of a quantitative investment strategy is the ability to exclude emotions from the investment decision-making process and, consequently, investment recommendations received by VFL from AlphaGen's algorithmic trading system that have been customized by VFL are generally accepted and implemented as opposed to rejected. The following describes the primary differences between the five Tactical Active Management Strategies offered by VFL:

- The Bond Portfolio is constructed in a manner that attempts to focus on fixed income-related investments while limiting the strategy's maximum exposure to equities to 10%.
- The Conservative Portfolio is constructed in a manner that attempts to limit the strategy's maximum exposure to equities to 30%.
- The Moderate Portfolio is constructed in a manner that attempts to limit the strategy's maximum exposure to equities to 60%.
- The Moderate Growth Portfolio is constructed in a manner that attempts to limit the

- strategy's maximum exposure to equities to 80%.
- The Growth Portfolio is constructed in a manner that includes no limitations on the strategy's maximum exposure to equities.

b. Traditional Asset Allocation Strategy

On a limited basis, VFL provides discretionary investment management services using a traditional asset allocation investment strategy that selects securities based on fundamental analysis. Program clients' portfolios will be tailored to their specific needs and may include some or all of the following securities; individual stocks, bonds, options and other public and private securities or investments, although the majority of client portfolios managed under this strategy will consist of mutual funds and exchange-traded funds. Client accounts may be balanced or reallocated periodically in order to reestablish the targeted percentages of the initial asset allocation. This rebalancing or reallocation will occur on the schedule set by the Program client in consultation with VFL, which emphasizes continuous and regular account supervision.

2. Tailoring of Advisory Services

VFL tailors its investment advisory services to the specific needs of each client. Before providing investment advisory services, the assigned IAR will ascertain each Program client's investment objective(s). Thereafter, VFL will allocate and/or recommend that the Program client allocate investment assets in a manner consistent with the designated investment objective(s) conveyed to VFL. The client may, at any time, impose reasonable restrictions, in writing, on VFL's services.

3. Wrap Fee Program Considerations

With respect to the portfolio management services provided by VFL, there is no difference in how VFL manages Program accounts and how it manages its other advisory accounts. Clients should be aware that a portion of the Program's wrap fee paid by the client is retained by VFL as compensation for its portfolio management services.

4. Performance-Based Fees and Side-By-Side Management

Neither VFL nor any IAR or other supervised person of VFL accepts performance-based advisory fees.

5. Methods of Analysis, Investment Strategies and Risk of Loss

a. Methods of Securities Analysis

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

Fundamental Analysis

This is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. One of the primary assumptions of fundamental analysis is that the market price for a security does not fully reflect the security's "real" value. VFL therefore uses a combination of qualitative and quantitative factors to identify undervalued securities, based on both macroeconomic factors, such as the overall economy and industry conditions, and company-specific factors such as financial condition and management.

In order to perform fundamental analysis, VFL relies on many resources, such as Morningstar, financial newspapers and magazines (e.g. the Wall Street Journal, Forbes, etc.), annual reports, prospectuses, SEC filings, press releases, corporate rating services, and company websites.

Technical Analysis

This is a technique that attempts to determine a security's value by developing models and trading rules based on price and volume transformation. Technical analysis assumes that market prices reflect all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act on relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

Cyclical Analysis

This is a technique that analyzes historical relationships between price and market trends, to forecast the direction of prices. VFL may use cyclical analysis in conjunction with other strategies to help determine if shifts are required for its clients' investment strategies depending on long and short-term trends in financial markets and the performance of the overall national and global economy.

b. Investment Strategies and Transactions

VFL may utilize the following types of investment transactions when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

With respect to Traditional Asset Allocation Strategy accounts, in addition to the types of transactions

and/or securities discussed above, VFL may also implement and/or recommend the use of short selling, margin, and/or options in the management of client accounts. Each of these strategies has a high level of inherent risk.

- **Margin:** A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

Please note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by VFL in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to VFL may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to VFL. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- **Options:** Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by VFL shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Please Note: Although the intent behind the use of option transactions may be to hedge against principal risk, certain options-related strategies (i.e. straddles, short positions, etc.) may, in and of themselves, produce principal volatility and/or risk. Thus, clients must be willing to accept the enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct VFL, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- **Short Selling:** Short selling transactions expose the seller to risks of loss greater than the initial investment, and such losses can increase rapidly and without effective limit. When short selling, there is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the seller might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

c. Risk of Loss

All investing involves risk and it should not be assumed that the future performance of any specific investment or investment strategy (including those recommended or undertaken by VFL) will be, successful, profitable or equal any specific performance level(s). While we use tools to try to reduce those risks, the risk of loss always exists. In some cases, the amount of potential loss may exceed the amount of principal invested if leveraging tactics, such as margin, are used in the management of your account. Investing generally works best when we understand your risk tolerance and when you communicate any changes to your needs and expectations promptly to us.

The material risks associated with VFL's investment strategies and the securities used to implement those strategies are set forth below. The following, however, is not meant to be a complete description of risks.

- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Counterparty Risk: Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. The limited liquidity of some foreign markets may negatively impact our ability to acquire or dispose of securities at a price and time that is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate.

For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments, such as trade claims, may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of the creditworthiness of an issuer.
- **Market Risk:** The price of any security, including bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Tactical Active Management Strategies – Additional Risks

- **Model Risk:** All quantitative analysis carries a risk that the mathematical model used might be based on one or more incorrect assumptions.
- **Data Risk:** Algorithmic trading systems rely on the cleanliness and accuracy of the underlying data (such as stock or ETF prices) that are input into the algorithms to generate exposure recommendation signals. If input data is inaccurate, then the data output will be similarly tainted.
- **Hacking Risk:** There is a risk that unauthorized outside interference with the programming or distribution method of AlphaGen's algorithmic trading system could impair its ability to function as designed.
- **Quantitative Risk:** Rapidly changing and unforeseen market dynamics could lead to a decrease in the short-term effectiveness of an algorithmic trading system.
- **Macroeconomic Risk:** Unusual events, such as those resulting from shifts in geo-political, systematic, economic, or social conditions may result in abrupt changes to a security's price, which could upset the model's ability to make accurate exposure recommendations.
- **Trading Decisions Based on Quantitative and Other Analysis:** Investment recommendations for Tactical Active Management Strategy accounts are based on quantitative signals, other analyses and the established rules for the particular investment strategy. Any factor that would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy will be profitable in the future. No assurance can be given that VFL's Tactical Active Management Strategies will be successful under all or any market conditions.
- **Strategy Risk:** VFL's strategies are unlikely to be successful unless the assumptions underlying the models used to implement the investment strategies and the established rules of such investment strategies are and remain realistic and relevant in the future. If

such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is unlikely that reliable signals will be generated.

- Licensing Risk: As VFL is not the proprietary owner of the algorithmic trading system that it uses to manage client accounts, VFL may not be able to provide uninterrupted and/or consistent advisory services to clients who utilize VFL's Tactical Active Management Strategies in the event that AlphaGen terminates its arrangement with VFL.

Traditional Asset Allocation Strategy – Additional Risks

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

6. Proxy Voting

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

7. Service Providers

VFL has a material arrangement with AlphaGen, an independent third-party developer of an algorithmic trading system licensed to and utilized by VFL in the ongoing management of accounts that are invested according to one of VFL's Tactical Active Management Strategies. Bryan Sullivan, Founder and Managing Member of VFL, is an owner and Principal of AlphaGen and has been actively involved in assisting in the development of AlphaGen's algorithmic trading system to meet the needs of financial advisors such as VFL.

VFL utilizes the Back Office Services of Argentus Partners, LLC, an independent third-party provider of various types of services to investment advisers. The Back Office Services utilized by VFL include the handling of daily administrative activities related to Program accounts, preparing client reporting, calculation of advisory fees, and implementing trade recommendations on behalf of VFL. For its services, Argentus receives an annual asset-based fee of 11 basis points of the amount of Program assets that Argentus provides services to.

VFL receives non-discretionary investment advisory services from FocusPoint Solutions, Inc., which

generally consists of securities and asset allocation recommendations, which may be used in the management of VFL's Traditional Asset Allocation Strategy accounts. As part of this service, VFL also receives access to FocusPoint's portfolio managers to answer portfolio and/or market-related questions and weekly commentary from FocusPoint regarding their views on the economy and market. For these services, VFL pays FocusPoint an investment advisory fee based on the amount of VFL's assets under management that utilize FocusPoint's recommendations.

Item 7 – Client Information Provided to Portfolio Managers

Because VFL is both the sponsor and sole portfolio manager of the Program, VFL and its IARs have complete access to all information about Program clients. Furthermore, as IARs are generally the primary recipient of all information submitted by clients to VFL, it is generally not necessary for VFL to provide updated client information to its IARs.

Item 8 – Client Contact with Portfolio Managers

VFL does not impose any restrictions on the ability of Program clients to directly contact and/or consult with VFL or the IAR assigned to their Program account(s).

Item 9 – Additional Information

DISCIPLINARY INFORMATION

VFL has not been the subject of any disciplinary actions.

CODE OF ETHICS

VFL has adopted and implemented a Code of Ethics, which serves to establish a standard of business conduct for all of VFL's supervised persons, including IARs, that is based on the fundamental principles of openness, integrity, honesty and trust. VFL will provide a copy of its Code of Ethics to any Program Client or prospective Program Client upon request. Neither VFL nor any supervised person of VFL recommends, buys, or sells for client accounts, securities in which VFL or any supervised person of VFL has a material financial interest. VFL and/or its supervised persons, however, may buy or sell securities that are also recommended to clients, at or around the same time as those securities are recommended to clients, which creates a potential conflict of interest since VFL and/or its supervised persons could potentially take advantage of investment recommendations made to clients in order to materially benefit from the sale or purchase of those securities. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) and "front running" (i.e., executing personal trades prior to those of clients) could take place. VFL's Code of Ethics, however, has policies and procedures in place to monitor the personal securities transactions and securities holdings of each of VFL's "Access Persons". These policies and procedures

require that Access Persons provide VFL's Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person and at least once each twelve (12) month period thereafter on a date VFL selects, and requires Access Persons to submit quarterly transaction reports.

REVIEW OF ACCOUNTS

Account reviews are conducted on an ongoing basis by VFL's Principals and/or IARs at least quarterly, but will be performed more frequently if agreed to between VFL and the Program client. Program clients are advised that it is their responsibility to advise VFL of any changes in their investment objectives and/or financial situation. All Program clients (in person or via telephone) are encouraged to review their investment objectives and account performance with VFL on an annual basis. VFL may conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in a client's investment objectives and/or financial situation, market corrections and in response to a client request. Program clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian of their Program accounts. VFL also provides a quarterly written report summarizing account activity and performance.

CLIENT REFERRALS AND OTHER COMPENSATION

VFL may receive economic benefits from Charles Schwab & Co., Inc.; TD Ameritrade, Inc.; Trust Company of America; and/or Fidelity Investments Institutional Services Company, Inc. VFL, without cost and/or at a discount, may receive support services and/or products from the firms noted directly above, which may include direct monetary assistance to obtain certain services or products. As all brokerage commissions and transaction fees for Program accounts are paid by VFL, Program clients do not pay more for executing transactions as a result of these existing or potential arrangements. Furthermore, VFL has not committed to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products with or through the firms noted above as a result of any existing arrangement.

VFL has entered into a Solicitor's Agreement with Melinda Monteen of Monteen Insurance and Investments, Inc. Pursuant to such agreement, Ms. Monteen introduces/refers prospective clients to VFL and assists them in establishing a relationship with VFL by explaining VFL's advisory services and, if requested or appropriate, maintaining periodic contact with such clients to obtain updated client information for VFL. For her services, Ms. Monteen received a fixed fee that was paid in 2014 and also receives a percentage of all net investment advisory fees received by VFL from clients obtained as a result of her efforts. As a result of this compensation arrangement, prospective clients should be aware that Ms. Monteen has a conflict of interest when she recommends VFL's advisory services.

FINANCIAL INFORMATION

VFL is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Charles Schwab & Co., Inc. has provided a loan to VFL to assist it in its business operations, and the loan is guaranteed by Bryan Sullivan. The terms of the loan require that investment advisory fees paid to VFL be paid to an account at Schwab for deduction of interest and principal payments pursuant to the loan before VFL may have access to that fee payment. The loan agreement contains various representations by VFL, including representations that VFL will maintain \$70 million in assets under management and will comply with all laws, contracts, licenses and permits, as well as provisions covering various events of default. In the event of an unheeded default under the terms of the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on VFL's ability to perform its contractual commitments to clients.