

Verizon Investment Management Corp.

Form ADV Part 2A - Disclosure Brochure

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This Brochure provides information about the qualifications and business practices of Verizon Investment Management Corp. ("VIMCO"). If you have any questions about the contents of this Brochure, please contact us at 908-559-2541. 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.

VIMCO is an SEC-registered investment adviser. Additional information about VIMCO also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure serves as an update to VIMCO's brochure dated March 29, 2016 (the "Prior Brochure"). This Brochure contains routine annual updates to the Prior Brochure. VIMCO does not have any material changes to disclose.

Item 3 – Table of Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	18
Item 10 – Other Financial Industry Activities and Affiliations.....	18
Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading	19
Item 12 – Brokerage Practices	20
Item 13 – Review of Accounts	21
Item 14 – Client Referrals and Other Compensation	21
Item 15 – Custody	21
Item 16 – Investment Discretion	22
Item 17 – Voting Client Securities	22
Item 18 – Financial Information.....	22

Item 4 – Advisory Business

OVERVIEW OF THE ADVISER

VIMCO is a wholly-owned subsidiary of GTE LLC. GTE LLC is a majority-owned, subsidiary of Verizon Communications Inc. (“Verizon”). Two other Verizon subsidiaries own small interests in GTE LLC. Those two entities are directly or indirectly wholly owned by Verizon. Verizon is a publicly traded company listed on the New York Stock Exchange and NASDAQ trading under the symbol “VZ”. Verizon is the former Bell Atlantic Corporation and changed its name effective September 22, 2000, following its merger/acquisition transaction with GTE LLC. VIMCO, founded in 1979, operates as the investment management arm of Verizon for Verizon’s employee benefits trusts, certain of its subsidiaries and the Verizon Foundation and is qualified as an in-house asset manager under Department of Labor Prohibited Transaction Class Exemption 96-23.

ADVISORY SERVICES

VIMCO provides asset management, asset allocation, and investment monitoring services to Verizon’s (1) pension trusts, (2) savings trusts, (3) VEBA trusts, (4) charitable foundation and (5) captive insurance company. VIMCO also provides such services to an investment partnership for certain Verizon VEBA trusts. VIMCO may, on behalf of its clients, directly manage a portfolio of individual securities and/or pooled investment vehicles, although VIMCO does not currently manage any portfolios of individual securities or pooled investment vehicles. Alternatively, VIMCO may allocate asset management of all or a portion of any client’s assets to third party investment managers. At present, VIMCO allocates management of substantially all of its clients’ assets to third party investment managers.

Pension plan assets are currently held in two trusts: the Bell Atlantic Master Trust (“BAMT”) and the Western Union International, Inc. Pension Trust (“WUT”). For the pension trusts, VIMCO implements a number of investment strategies that invest in a mix of debt and equity securities, such as common and preferred stocks, corporate bonds, private placements, U.S. Government and agency securities, convertible securities (including both convertible stocks and convertible corporate bonds), real estate, natural resources, commodities, derivative strategies and investments such as swaps, options and futures, currency investments, money market instruments, and interests in hedge funds, private equity funds and operating companies. Substantially all of the assets in the pension trusts are allocated to third party investment managers that invest in these instruments and strategies, including through separately managed accounts, joint ventures and commingled vehicles, such as collective investment trusts, private funds, real estate partnerships, REITs, limited liability companies and mutual funds. Additionally, VIMCO engages a third party investment manager to implement derivative trades on behalf of BAMT to maintain desired market exposure. VIMCO also makes cash management services available to the third party investment managers of BAMT. VIMCO performs either directly or through a third party sub-advisor initial and on-going manager due diligence, determines allocations to each

manager and rebalances as needed, and monitors performance and appraisal reports. VIMCO makes all investment strategy decisions associated with pension trust investments.

Savings plan assets are currently held in two trusts: the Verizon Master Savings Trust ("VMST") and BAMT. The term "savings trusts" in this document means both VMST and BAMT, solely with respect to savings plan assets held in BAMT, unless the context clearly indicates otherwise. For the savings trusts and the captive insurance company, VIMCO selects third party investment managers responsible for direct investments in a mix of debt and equity securities. VIMCO also selects third party investment managers to invest assets of the savings trusts in common and preferred stocks, corporate bonds, private placements, U.S. Government and agency securities, convertible securities (including both convertible stocks and convertible corporate bonds), real estate, commodities, derivative strategies and investments such as swaps, options and futures, currency investments, money market instruments, and interests in hedge funds. These investments are made through separately managed accounts and commingled vehicles such as collective investment trusts, private funds, real estate partnerships, REITs and mutual funds. Substantially all of the assets in the savings trusts, VEBA trusts, Verizon's charitable foundation and the captive insurance company are allocated to third party investment managers. VIMCO performs either directly or through a third party sub-advisor initial and on-going manager due diligence, determines allocations to each manager and rebalances as needed, and monitors performance and appraisal reports. VIMCO advises the Verizon Employee Benefits Committee with respect to the investment options of the savings trusts (both mutual fund and non-mutual fund investment options).

Verizon's charitable foundation assets are invested in a short term investment strategy.

VIMCO is the managing member of a subsidiary limited liability company that serves as general partner to a limited partnership, VEBA Partnership N L.P. ("VEBA N"), in which three Verizon VEBA trusts invest as limited partners. VIMCO implements a range of investment strategies in public securities for VEBA N similar to the range of such strategies implemented for BAMT. Additionally, VIMCO engages a third party investment manager to implement derivative trades on behalf of VEBA N to maintain desired market exposures. VIMCO also manages the assets of Verizon VEBA trusts that do not invest through VEBA N. These investments are primarily invested in cash or with fixed income managers.

In selecting investments, VIMCO considers each client's risk tolerance, investment strategy, funding needs and investment limitations. Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss discusses VIMCO's investment strategies in more detail.

ASSETS UNDER MANAGEMENT

As of December 31, 2016, VIMCO had \$46.3 billion in assets under management.

Item 5 – Fees and Compensation

REIMBURSEMENT FOR COST OF SERVICES

BAMT and the savings trusts reimburse VIMCO for its actual costs in providing advisory services to those entities. Reimbursements are processed monthly for BAMT and quarterly for the savings trusts, in arrears, and payment is deducted directly from client assets. These reimbursements are exclusive of brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, third party manager fees and other fees and taxes charged by custodians, investment managers, broker-dealers and other third parties unaffiliated with VIMCO. VIMCO does not receive any portion of such third party fees, commissions and costs. Verizon bears the expenses of providing advisory services to WUT, VEBA N, the VEBA trusts, Verizon's charitable foundation and the captive insurance company. However, these clients are responsible for brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, third party manager fees and other fees and taxes charged by custodians, investment managers, broker-dealers and other third parties unaffiliated with VIMCO.

VIMCO makes a short-term investment fund available to certain third party managers for cash management purposes. In exchange for these services, the third party managers have agreed to reduce the fees they charge the BAMT by an amount equal to 0.08% (eight basis points) per annum of the amount invested in the short term investment fund.

INDIRECT FEES AND EXPENSES

Client assets may be invested in exchange traded funds, hedge funds, private equity funds, collective investment trusts, mutual funds and other pooled investment vehicles. These vehicles charge management fees and other expenses to investors therein, which are disclosed in the offering documents, subscription agreements, investment management agreements and/or financial statements of the pooled investment vehicles. Clients also indirectly bear the underlying costs of any investments by such pooled investment vehicles.

ADDITIONAL COMPENSATION

Neither VIMCO nor any of its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products; nor does VIMCO receive any compensation from any third party investment managers selected to manage client assets. However, VIMCO employees may accept business meals, gifts and entertainment consistent with U.S. Department of Labor guidance and VIMCO's Code of Conduct.

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

VIMCO does not charge performance-based fees. Third party investment managers appointed by VIMCO may charge performance-based fees. The term "performance-based

fees” refers to fees based on a share of capital gains on, or capital appreciation of, a client's assets. VIMCO does not engage in side-by-side management.

Item 7 – Types of Clients

VIMCO primarily provides advisory services to (1) Verizon’s pension trusts, savings trusts, VEBA trusts, charitable foundation and captive insurance company, and (2) VEBA N, for which a subsidiary of VIMCO is the general partner and through which three Verizon VEBA trusts invest (collectively “Clients”).

As an in-house asset manager, VIMCO does not have any requirements for opening or maintaining an account, such as minimum account size.

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

The following is a description of the investment strategies VIMCO uses to formulate investment advice or manage client assets. Each strategy involves the risk of loss of the amount invested.

INVESTMENT STRATEGY AND ANALYSIS

Verizon Pension Trusts Strategy

VIMCO’s overall investment strategy is to achieve a mix of assets which allows Verizon to meet projected benefit payments by each of the pension trusts while taking into consideration risk and return.

While target allocation percentages will vary over time, the current target allocation for plan assets held in BAMT is designed so that 65% of the assets (generally comprised of public equities, private equities, real estate, hedge funds, high yield and emerging debt) have the objective of achieving a return in excess of the growth in liabilities and 35% of the assets are invested as liability hedging assets where cash flows from investments better match projected benefit payments, typically through longer duration fixed income. This asset allocation will shift to a higher proportion of liability hedging assets as BAMT’s funded status improves. The target asset allocation is revisited periodically to ensure it is in line with BAMT’s objectives. Both active and passive management approaches are used depending on perceived market efficiencies and various other factors. VIMCO utilizes diversification and risk control processes to avoid significant concentrations of risk, in terms of sector, industry, geography or company names.

WUT holds the assets of a small legacy pension plan acquired in a corporate acquisition. The current target allocation for plan assets held in WUT is designed so that 25% of the assets are invested in return seeking assets (public equities) and 75% of the assets are invested in liability hedging assets (fixed income securities). WUT’s target asset allocation reflects its fully funded status. VIMCO utilizes diversification and risk control processes to

avoid significant concentrations of risk, in terms of sector, industry, geography or company names.

VEBA N and Verizon VEBA Trusts Strategies

VEBA N's limited partners are the Bell Atlantic Retiree Life Insurance Plan Trust, the Welfare Trust for GTE Bargained Retired Group Insurance Plan and the Welfare Trust for the Verizon Long-Term Disability VEBA. VEBA N invests approximately 68% of its assets in global equities, 29% of its assets in global bonds and 3% of its assets in cash. In the event that the plan sponsor decides to liquidate the assets of any of the limited partners, the investment allocation of such limited partner(s) will be adjusted to reflect the appropriate risk for the anticipated length of the liquidation period.

In addition to its investment in VEBA N, the Bell Atlantic Retiree Life Insurance Plan Trust is also invested in several fixed income portfolios to adjust its asset allocation in line with its anticipated liquidation.

The Welfare Trust for the Verizon Long-Term Disability VEBA was established to self-fund long term disability benefits for management employees exclusively through participant contributions. In addition to its investment in VEBA N, this VEBA trust is invested in a fixed income portfolio in an effort to provide steady returns to match the liabilities of the long term disability program and to avoid large fluctuations in premiums charged to plan participants from year to year.

VIMCO's portfolio strategies for the VEBA trusts that do not invest through VEBA N generally emphasize a conservative investment approach, investing primarily in cash or fixed income strategies.

The target asset allocations for the various VEBA trusts and VEBA N are revisited periodically to ensure they are in line with the objectives of the relevant VEBA trust or VEBA N, as applicable. VIMCO utilizes diversification and risk control processes to avoid significant concentrations of risk in terms of sector, industry, geography or company names.

Captive Insurance Strategy

For the captive insurance company, VIMCO pursues an investment strategy designed to meet the following objectives: (1) immunize expected claim outflows from interest rate risk and (2) ensure that there will be sufficient funds to pay liabilities as they come due, pay significant claims and allow commutation of insurance liabilities. The assets used to pay claims and support insurance liabilities are invested using an immunization, or a liability hedging approach. VIMCO utilizes diversification and risk control processes to avoid significant concentrations of risk in terms of sector, industry, geography or company names. Periodically, requests for the realization/avoidance of gains or losses will be made by Verizon's management based on tax efficiency and current business needs.

Charitable Foundation Strategy

VIMCO annually recommends an investment policy to Verizon's charitable foundation that takes into consideration liquidity requirements, as well as the objective of preserving capital while generating a desired level of investment return without excessive risk. The investment recommendations may change from year-to-year based upon projections of the foundation's priorities for expenditures and funding. The foundation assets may be invested in a combination of U.S. equities, U.S. fixed income securities, and cash and cash equivalents. The allocation of assets is based on the factors discussed above and additional asset classes could be added if the asset base and investment time horizon change significantly. Foundation assets are currently invested exclusively in short term investments primarily to fund current year grant payments in accordance with the foundation's current mandate. There are no significant concentrations of risk in terms of sector, industry, geography or company names.

Savings Trusts Strategy

VIMCO advises the Verizon Employee Benefits Committee with respect to participant investment options under the savings trusts in a manner that will cause the investment options to comply with the requirements of Section 404(c) of the Employee Retirement Income Security Act of 1974 ("ERISA") and the regulations thereunder promulgated by the Department of Labor. The plans whose assets are held in the savings trusts are participant-directed individual account plans designed to provide eligible employees of Verizon and its affiliates with a convenient way to save for medium-term and long-term savings and retirement needs. The savings trusts offer investment options for the savings plan for management employees in two distinct tiers: Target Date Funds and Asset Class Investment Options. The savings trusts also offer participant investment options for three savings plans for employees represented by collective bargaining units in three distinct tiers: Balanced Investment Strategy Portfolios that vary investments based upon expected risk and return profiles, Asset Class Investment Options and Mutual Fund Investment Options. Each of the options in the various tiers of each set of plans provides investment options designed to meet specific objectives. Other than the Verizon Company Stock Fund, there are no significant concentrations of risk in terms of sector, industry, geography or company names.

IMPLEMENTATION

Third Party Investment Management

VIMCO engages third party investment managers as both strategic partners and specialist managers to implement VIMCO's investment strategies for substantially all of its clients' assets. Third party investment managers manage substantially all of the assets of the pension trusts, savings trusts, VEBA trusts, VEBA N, Verizon's charitable foundation and Verizon's captive insurance company. Strategic partnerships with third party managers generally entail deeper relationships, involving multiple portfolios and an asset allocation component. Specialist managers, on the other hand, operate within specific parameters and with well-defined investment mandates. VIMCO either directly, or through a third

party sub-advisor, conducts initial and on-going due diligence reviews and determines allocations to each investment manager. Performance, operational and compliance due diligence reviews of investment managers are routinely performed and documented. These reviews, along with other factors (e.g., asset allocation targets), provide the basis for the decision to retain an investment manager at current status; to increase or decrease the size or allocation of an investment manager's account; or to ultimately terminate an investment manager. Item 13 – Review of Accounts contains additional information regarding portfolio reviews.

Specialist Managers: Specialist third party investment managers are used with respect to the pension trusts, savings trusts, VEBA trusts, VEBA N, the charitable foundation and the captive insurance company. Specialist managers may manage assets in separate accounts and/or through commingled vehicles. In determining whether to allocate client assets to a specialist third party investment manager, VIMCO considers the following criteria:

- **Management Team.** The manager must have an experienced, proven portfolio manager and analyst team.
- **Organization.** VIMCO must have confidence in the manager's organization, portfolio construction process, and resource allocation.
- **Compliance and Risk Controls.** VIMCO must be satisfied in terms of the risk controls, compliance with investment guidelines, and reporting requirements.
- **Performance.** A manager's short- and long-term performance track record must be in line with expectations. VIMCO utilizes analytical tools, which provide detailed assessments of portfolio returns under a variety of market conditions.
- **Compatibility.** The specialist manager's investment philosophy, style, portfolio construction, and other internal processes must be compatible with VIMCO and the client
- **Fee Structure.** The specialist manager's fee must be competitive, as determined by VIMCO, taking into consideration all of the above criteria.

Strategic Partnerships: Strategic partners are used only within BAMT and VEBA N. Strategic partners may manage assets in separate accounts and/or through commingled vehicles. In forming strategic partnerships with third party investment managers, VIMCO considers the following criteria:

- **All of the criteria listed under "Specialist Managers"**
- **Asset Allocation Capacity.** The manager must have a disciplined, systematic, and proven tactical asset allocation process and the ability to deliver a single portfolio solution.
- **Global Organization and Similarity of Investment Philosophy.** The manager must be global in scale and be willing to provide a differentiated level of service.
- **Shared Resources.** The manager must be willing to periodically sponsor proprietary research projects with VIMCO and share knowledge, resources, technology, and data as required by VIMCO.

Absolute Return Strategies: Absolute return strategies are used in BAMT and the savings trusts. VIMCO may allocate a portion of the assets in a variety of directional and non-directional strategies managed by third party investment managers that are designed to take advantage of specific investment opportunities in areas such as global macro, event driven, equity hedged, and relative value.

Private Equity, Real Estate and Natural Resources: VIMCO may allocate assets held in BAMT to private equity funds, real estate partnerships and separate accounts managed by third party investment managers to build a diversified portfolio of global buyout, venture capital, natural resource and real estate investments. These investments are diversified by strategy, stage, type, industry and geography. In selecting private equity and real estate funds, VIMCO looks for a consistent performance, track record and strong management.

VIMCO may invest BAMT's assets in privately-held joint ventures, limited liability companies, and limited partnerships to build a diversified portfolio of equity, real estate and debt investments. In selecting joint ventures, limited liability companies and limited partnerships, VIMCO looks for a consistent performance, track record and strong management.

Over time, VIMCO seeks to avoid private equity or real estate investments which are concentrated in a single industry or property market. Focus industries include, but are not limited to, manufacturing, consumer products, communications, financial services, household products, technology, healthcare, food and retail. VIMCO's real estate program focuses on retail, multi-family, industrial, office, hotel, senior and student housing assets.

Oversight of Third Party Sub-Advisors

While VIMCO accepts discretionary authority to manage assets in a client's account and make all investment decisions with respect to the type and amount of securities to be bought or sold in an account without obtaining client consent, the majority of BAMT's private equity portfolio is overseen on a day to day basis by a third party sub-advisor (the "Outsourced Portfolio"). The third party sub-advisor is responsible for overseeing the Outsourced Portfolio and handling day-to-day routine administrative matters related thereto. VIMCO is kept up to date on the Outsourced Portfolio through scheduled weekly calls and monthly and quarterly meetings. The sub-advisor's responsibilities include, but are not limited to: attending advisory committee and annual meetings, processing capital calls and distributions, and responding to requests for consents, elections and document amendments.

VIMCO manages the remainder of BAMT's private equity portfolio not overseen by the sub-advisor (the "Retained Portfolio") and performs the responsibilities outlined above in respect of the Retained Portfolio.

Notwithstanding its retention of the third party sub-advisor for the Outsourced Portfolio, VIMCO makes all investment strategy decisions associated with BAMT's private equity

investments. New private equity investments are sourced by VIMCO and by the third party sub-advisor subject to VIMCO's approval.

VIMCO has appointed a third party sub-advisor to serve as investment advisor to oversee BAMT's public market investments. In this role, the sub-advisor is responsible for (i) advising VIMCO with respect to BAMT's entire portfolio of public markets investments, including providing due diligence services in connection with the hiring, monitoring, retention and termination of new and existing investment managers; (ii) implementing, through a third-party investment manager engaged by VIMCO, derivative trades to maintain desired market exposure; (iii) managing transitions between terminated and new external investment managers; and (iv) providing operations, monitoring and due diligence services. The third-party sub-advisor also performs various administrative functions (*e.g.*, invoice processing and cash flow management) formerly performed by VIMCO. The third party sub-advisor also directly manages a portion of BAMT's public markets investments on a discretionary basis as a strategic partner. The third party sub-advisor also provides due diligence services in connection with the hiring, monitoring, retention and termination of new and existing investment managers for WUT.

VIMCO has also appointed the third party sub-advisor to provide advisory and reporting services to VIMCO in respect of VMST's portfolio. In this role, the sub-advisor is responsible for providing VIMCO with (i) capital markets analyses, performance and risk analytics on investment options, funds and investment managers, investment fee analyses, total plan cost analyses, and analyses regarding qualitative investment manager issues and defined contribution plan trends, (ii) investment and operational due diligence services, (iii) due diligence services in connection with the hiring, monitoring, retention and termination of new and existing specialist managers, and (iv) assistance with preparation of management presentations. The third-party sub-advisor also performs various administrative functions (*e.g.*, invoice processing and cash flow management) formerly performed by VIMCO.

INTERNALLY MANAGED INVESTMENTS

VIMCO continues to internally manage the Retained Portfolio, any public residual accounts and assets held on behalf of the pension trusts, the VEBA trusts, VEBA N, the charitable foundation and the captive insurance company. These accounts and assets are reviewed on a quarterly basis. To the extent that any public residual asset can be sold, VIMCO hires a transition manager to perform the sale. VIMCO does not itself actively trade securities on behalf of any client.

INVESTMENT RISKS

Investing in securities involves risk of loss that clients should be prepared to bear. VIMCO's clients bear the risk of loss that VIMCO's investment strategies entail. The material risks associated with VIMCO's investment strategies include, but are not limited to:

1. Market Risk

Market risk refers to the risk related to investments in securities in general and the daily fluctuations in the securities markets. A client's investment is affected by many factors, including fluctuation in interest rates, the quality of the instruments in the client's investment portfolio, adverse domestic and international economic conditions and general market and economic conditions.

1.1 Equity Market Risk

The value of equity securities can fluctuate — at times dramatically. The prices of equity securities are affected by various factors, including market conditions, political and other events, and developments affecting the particular issuer or its industry or geographic sector.

1.2 Interest Rate Risk

Fixed income securities increase and decrease in value based on changes in interest rates. If interest rates increase, the value of fixed income securities will decline. Conversely, if interest rates decline, the values of fixed income securities generally increase. Securities with longer maturities tend to produce higher yields, but are more sensitive to changes in interest rates and are subject to greater fluctuations in value. Interest rates in the United States recently have been near or at historically low levels.

1.3 Commodity Risk

Commodity risk refers to the uncertainties of future market values and of the size of the future investment returns, caused by the fluctuation in the prices of commodities. These commodities may be grains, metals, oil, gas and electricity etc.

1.4 Leverage and Derivative Risk

Leverage is the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment. Leverage can be created through options, futures, margin and other financial instruments.

Leverage helps both the investor and the firm to invest or operate. However, it comes with greater risk. If an investor uses leverage to make an investment and the investment moves against the investor, the loss will be greater than it would have been if the investment had not been leveraged — leverage magnifies both gains and losses.

Derivatives may be more sensitive to changes in economic or market conditions than other types of investments. The successful use of futures and options or other type of derivatives depends, among other things, on the availability of a liquid secondary market to enable the position to be closed on a timely basis. There can be no assurance that such a market will exist at any particular time.

1.5 Currency Risk

Foreign currencies may fluctuate in value relative to the U.S. dollar, adversely affecting the value of a foreign investment and its returns. Client assets are valued in U.S. dollars. Clients may lose money if the local currency of a foreign market depreciates against the U.S. dollar, even if the market value of the client's holdings appreciates.

1.6 Private Market Risk

The term private equity is used to describe various types of privately placed, as opposed to publicly traded, equity investments. Within the broad category of private equity are three subcategories: venture capital, leveraged buyouts, and mezzanine financing. As private equity assets are not traded on an exchange, they may not be traded often, resulting in a lack of market price data. Investors in private equity generally have less transparency into such investments than is the case with publicly traded securities and also lack the access to daily pricing that publicly traded securities enjoy. Investments in private equity funds generally are illiquid. Once invested, an investor's capital may be locked up in long-term investments for extended periods and distributions are at the fund manager's discretion. Investors in private equity funds typically have no right to demand that sales be made or cash returned by the fund.

1.7 Real Estate Risk

Investing in real estate entails a variety of risks, including possible declines in the value of a property due to a deterioration of general and local economic conditions or overbuilding, a possible lack of availability of financing, changes in interest rates and environmental problems. Property owners may be also liable for accidents or events occurring on real property, even if the accident or event results from unauthorized use. Any event that negatively affects the property, would have a negative effect on the property owner's investment in the property.

1.8 Asset Liability Risk

Asset liability risk may arise from a mismatch between a pension trust's liabilities (generally a discounted set of projected cash flows which in the case of the defined benefit plans whose assets are held by such pension trust describe the future commitments to plan participants whether in the form of annuities or lump sums) and such pension trust's assets which are invested to meet these obligations. There is risk associated with the adoption of an investment policy which attempts to define a long-term strategic asset allocation that optimizes along specific parameters, such as the net present value of future contributions, in order to reduce the burden of interest and service cost upon the plan sponsor and thereby make future contributions to such pension trust more secure. Major risk factors include market risk, liquidity risk, return-shortfall risk, as well as demographic trends, measurement errors, and corporate policies.

2. Credit Risk

The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security is, the greater the risk that the issuer will default on its obligation. Any such default could result in a loss to the investor.

2.1 Counterparty Risk

Counterparty risk refers to the risk that a party to a transaction will default on its obligations, resulting in missed or delayed payments.

2.2 Structured Credit Product Risk

Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. Although structured instruments may be sold in the form of a corporate debt obligation, they may not have some of the protection against counterparty default that may be available with publicly traded debt securities.

2.3 Corporate Credit Risk

Corporate bonds offer a higher yield compared to some other investments, but for a price. Most corporate bonds are debentures, meaning they are not secured by collateral. Investors of such bonds must assume not only interest rate risk but also credit risk, the chance that the corporate issuer will default on its debt obligations. Therefore, it is important that VIMCO, or any investment managers it retains that invest in corporate bonds, know how to assess credit risk and its potential payoffs. While rising interest rate movements may reduce the value of a client's bond investment, a default may almost eliminate it. Holders of defaulted bonds may recover some of their principal, but it is often pennies on the dollar.

2.4 High Yield Credit Risk

High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principal. High yield securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. These securities may be issued by companies which are highly leveraged, less creditworthy or financially distressed. Although these securities generally provide a higher yield than higher-rated debt securities, the high degree of risk inherent in these securities can result in substantial or total losses. The market for high yield securities is generally less active than the market for higher quality securities and the market price of these securities can change suddenly and unexpectedly.

2.5 Sovereign and Agency Credit Risk

Sovereign debt securities are issued or guaranteed by foreign governmental entities. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt (for example, due to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity's debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies). If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay, nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Agency securities may be backed by the credit of the U.S. Government as a whole or only by the credit of the issuing agency. U.S. Treasury bonds, notes, and bills and some agency securities, such as those issued by the Federal Housing Administration and Ginnie Mae, are backed by the full faith and credit of the U.S. Government as to payment of principal and interest and are the highest quality government securities. Other securities issued by U.S. Government agencies or instruments, such as securities issued by the Federal Home Loan Banks and Freddie Mac, are supported only by the credit of the agency that issued them, and not by the U.S. Government. Securities issued by the Federal Farm Credit System, the Federal Land Banks, and Fannie Mae are supported by the agency's right to borrow money from the U.S. Treasury under certain circumstances, but are not backed by the full faith and credit of the U.S. Government. If an U.S. Government agency or instrument defaults and the U.S. Government does not stand behind the obligation, investors could lose money.

3. Liquidity Risk

Liquidity risk exists when VIMCO or a third party investment manager is required to liquidate investments sufficient to meet a client's pension funding obligations. VIMCO or the relevant third party investment manager may be required to sell a security at a disadvantageous time or at a price lower than it otherwise would expect to receive. In addition, certain investments, such as real estate and private funds, may be difficult to sell, thereby requiring VIMCO or the relevant third party investment manager to sell liquid investments that it would otherwise wish to retain. Additionally, when VIMCO or the relevant third party investment manager liquidates a position to satisfy a client's pension funding obligation, the client foregoes any potential future appreciation in the value of the liquidated position.

4. Operations Risk

Operational risk is not inherent in financial, systematic or market-wide risk. It is the risk remaining after determining financing and systematic risk, and includes the risk of breakdowns in internal procedures, people and systems.

4.1 Management Risk

Management risk is the risk that an investment manager's judgments regarding, among other things, the attractiveness, value and potential appreciation of a particular asset class or individual security, asset allocations, selection of other investment managers, governance of the investment process, organizational structure or resource allocation may prove to be incorrect.

4.2 Model Risk

Model risk is the risk that a financial model used to measure a firm's market risks or to value transactions does not perform the tasks or capture the risks for which it was designed.

Model risk is considered a subset of operational risk, as model risk mostly affects the firm that creates and uses the model. Traders or other investors who use the model may not completely understand its assumptions and limitations, which limits the usefulness and application of the model itself.

4.3 Operational Compliance Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Compliance means conforming with stated requirements. At an organizational level, compliance is achieved through management processes which identify the applicable requirements, assess the state of compliance, assess the risks and potential costs of non-compliance against the projected expenses to achieve compliance, and hence prioritize, fund and initiate any corrective actions deemed necessary.

4.4 Settlement Risk

Settlement risk is the risk that a counterparty does not deliver a security, or its value in cash, as per the agreement after the other counterparty or counterparties have already delivered securities or cash value as per the trade agreement.

5. Regulatory, Legal and Contractual Risk

5.1 Regulatory Compliance Risk

VIMCO and its clients are subject to a variety of regulatory requirements, including rules or regulations that may affect eligible investments or appropriate investment strategies for certain clients, and VIMCO is subject to requirements related to its status as an investment adviser registered with the SEC. While VIMCO has adopted policies and procedures that address regulatory compliance, applicable rules and regulations change or evolve over time and compliance may become more costly. Regulatory Compliance Risk is the risk that the

failure to maintain and adhere to adequate compliance policies and procedures may result in investment losses, fines, or adverse judgments.

5.2 Legal Risk

Some investment strategies involve activities that may give rise to legal liabilities. For example, the owners of real estate or companies in the transportation, shipping, or construction industries may be liable for actual or potential harm to people, wildlife or the environment from, among other things, effluents, emissions, wastes, and resource depletion, arising out of or occurring in connection with the operation of the property or an investee company's activities. Property owners or investors in such companies, as applicable, may see a decline in the value of their investment or may, in some cases, be held personally liable for the resultant harm. Legal risk also arises from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. The risk is the potential for loss that may occur with respect to an investment as a result of insufficient, improperly applied, or simply unfavorable legal proceedings in the country in which the investment is made.

5.3 Contractual Risk

Contractual risk is the risk associated with the interpretation of contracts, laws, and regulations. Losses may occur from investments with insufficient or improperly structured contracts. In addition, losses may arise from failure in contract performance. This could be related to the external managers' failure to perform the contractual obligations.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of VIMCO and the integrity of its management. VIMCO has not been subject to any legal or disciplinary events that would be material to a client's or prospective client's evaluation of VIMCO or the integrity of VIMCO management.

Item 10 – Other Financial Industry Activities and Affiliations

VIMCO is the managing member of the general partner of VEBA N, a limited partnership in which assets of three Verizon VEBA trusts are invested as limited partners. The investments of VEBA N are managed by third party investment managers chosen by VIMCO. The third party investment managers are not affiliated with VIMCO and VIMCO does not receive a management fee or any other compensation (other than the reimbursement of expenses) from either VEBA N or any of the third party investment managers in connection with VEBA N's investments.

VIMCO is affiliated with, and provides advisory services to, Verizon's captive insurance company.

As mentioned in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss, VIMCO selects third party investment managers to provide advisory services to its clients. In selecting the third party investment managers that will serve as strategic partners, VIMCO considers whether the manager is willing to periodically sponsor proprietary research projects with VIMCO and share knowledge, resources, technology, and data. This resource sharing may create a potential conflict of interest for VIMCO. To mitigate this conflict, VIMCO has adopted due diligence, monitoring, review and reporting procedures designed to ensure that strategic partners meet performance and compliance benchmarks, regardless of the quantity and quality of the research and other resources provided by the third party investment managers. A similar potential conflict of interest may be created in connection with the use by VIMCO of the sub-advisors hired to manage portions of the investment portfolio of BAMT and to advise and provide management and operational due diligence services with respect to the remainder of BAMT's portfolio that invests in privately and publicly traded securities. To mitigate this conflict, VIMCO has adopted due diligence, monitoring, review and reporting procedures designed to ensure that the sub-advisors meet performance and compliance benchmarks for the investments that they manage and to assess the quality of the advice that they provide.

Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

CODE OF ETHICS AND FIDUCIARY DUTY

VIMCO has adopted a Code of Conduct that includes VIMCO's Code of Ethics adopted pursuant to Rule 204A-1 under the Investment Advisors Act of 1940, which supplements the Verizon Code of Conduct and outlines VIMCO's high standard of business conduct, and reinforces each employee's role in discharging his or her fiduciary duty to VIMCO's clients. VIMCO's Code of Conduct includes, among other things, provisions for maintaining confidentiality of client information, prohibitions on insider trading, restrictions on gifts and entertainment, and procedures regarding personal securities trading. Clients may request a copy of Verizon's and VIMCO's respective Codes of Conduct by contacting VIMCO at 908-559-2541.

PERSONAL SECURITIES TRADING

VIMCO's Code of Conduct prohibits directors, officers, and employees of VIMCO from front running any portfolios managed by VIMCO or otherwise trading in securities in a manner that violates law or conflicts with VIMCO's and such director's, officer's or employee's duties to VIMCO's clients.

Each director, officer and employee of VIMCO who has access to non-public client information or is involved in making securities recommendations for VIMCO's clients or

has access to such recommendations is considered to be an “access person” of VIMCO. Because access persons may be in a position to exploit information about client securities transactions or holdings, each access person of VIMCO is required to report for himself or herself and his or her immediate family members residing in the same household their (1) personal securities holdings on an annual basis and (2) personal securities transactions on a quarterly basis. Each report is reviewed for compliance with the VIMCO’s Code of Conduct.

Access persons of VIMCO may trade in securities only after obtaining pre-clearance from the Chief Compliance Officer for themselves and any immediate family members residing in the same household. VIMCO considers it inconsistent with its obligations to its clients to permit VIMCO personnel to participate in private placements in which VIMCO invests, or where VIMCO may have access to material non-public information.

In addition, no VIMCO employee with primary responsibility for selecting and monitoring the performance of third party investment managers may, for his or her personal account acquire or hold equity securities of such third party investment managers, nor may the VIMCO employee enter into transactions with such third party investment managers except on terms available to the general public. This rule is designed to prevent conflicts of interest in the selection and monitoring of third party investment managers by prohibiting VIMCO employees involved in the selection and monitoring processes from receiving or holding what might be or appear to be financial or personal inducements to favor a particular third party investment manager.

CONFIDENTIAL INFORMATION

VIMCO’s Code of Conduct includes measures designed to safeguard non-public information about VIMCO’s clients. Under VIMCO’s Code of Conduct, access to client information is granted only to those employees with a need to know the information. No VIMCO employee may disclose client information to an unaffiliated third party without the prior approval of certain members of VIMCO’s management.

Item 12 – Brokerage Practices

BROKER SELECTION AND BEST EXECUTION

VIMCO, through a third party advisor, performs a detailed transaction cost analysis review of each third party investment manager. VIMCO reviews the execution documentation and analyses provided by the third party advisor as part of its annual due diligence. VIMCO or the third party advisor will address with the relevant investment manager identified issues relating to speed, quality and cost of execution. All findings and issues follow-up will be documented by either VIMCO or the third party advisor. In addition, each external investment manager is required to provide a copy of its best execution practices and procedures on an annual basis.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

VIMCO has not entered into any commitments to trade with specific broker-dealers, direct a minimum number of transactions to specific brokers-dealers, or generate a specified level of brokerage commission with any particular broker-dealer, in order to receive brokerage or research services. These commitments are generally known as soft dollar arrangements.

Item 13 – Review of Accounts

VIMCO performs regular account reviews of third party investment managers, including separate accounts, open and closed-end investment companies, hedge funds, REITs, master limited partnerships and private equity investments. Periodic meetings are conducted with third party investment managers and joint venture partners to discuss, among other things, performance, organizational characteristics and investment strategies. Reviews can also be triggered by other factors including changes in asset allocation strategy, cash flow requirements, and volatile markets.

Performance reports for the pension and VEBA trusts, savings trusts, VEBA N, the charitable foundation and the captive insurance company are reviewed monthly, quarterly and annually by Verizon's Chief Financial Officer and quarterly by VIMCO's Board of Directors. Performance reports for WUT are also reviewed quarterly by the Board of Directors of the Verizon Business Global LLC, WUT's plan sponsor. Performance reports for the savings trusts are also reviewed quarterly and annually by Verizon's Employee Benefits Committee or a committee thereof. Performance reports for the charitable foundation are reviewed annually by the Board of Directors of the Verizon Foundation and performance reports for the captive insurance company are reviewed annually by the staff of the captive insurance company.

Item 14 – Client Referrals and Other Compensation

Other than as described in Item 5 – Fees and Compensation, VIMCO does not receive an economic benefit from any person other than its clients for advisory services.

Item 15 – Custody

VIMCO does not provide custodial services to its clients. Client assets are held with banks, registered broker-dealers or other qualified custodians. Each third party investment manager receives statements directly from the qualified custodians, typically monthly, but at least quarterly, and is required to carefully review those statements and reconcile them against the investment manager's internal records. The information in the custodial statements may vary from the investment managers' internal records due to differences in accounting procedures and/or valuation methodologies.

As the managing member of the general partner of VEBA N, VIMCO is deemed to have custody of VEBA N's assets. Similarly, in connection with its management rights in certain joint ventures, VIMCO is deemed to have custody of the assets of those joint ventures.

Item 16 – Investment Discretion

VIMCO has discretionary authority to manage assets in a client's account and make all investment decisions with respect to the type and amount of securities to be bought or sold in an account without obtaining client consent. In all cases, however, such discretion is exercised in a manner consistent with a client's stated funding and investment objectives and any applicable client policies and restrictions. As noted above, the management of substantially all of the assets of VIMCO's clients has been allocated to third party discretionary investment managers. VIMCO exercises oversight over all third party sub-advisors and investment managers.

Item 17 – Voting Client Securities

VIMCO does not accept authority to vote proxies. All proxies held in any internally managed investment portfolios are voted by the trustee of the relevant pension trust in accordance with VIMCO's proxy voting policy. Proxies related to securities managed by third party investment managers are voted by the third party manager in accordance with its proxy voting guidelines. VIMCO monitors third party manager proxy voting.

A copy of VIMCO's proxy voting policies and procedures is available upon request by contacting VIMCO at 908-559-2541.

Item 18 – Financial Information

Registered investment advisers are required to provide clients with financial information or disclosures about their financial condition in this Item. VIMCO has no financial commitments that impair its ability to meet contractual and fiduciary commitments to its clients and has never been the subject of a bankruptcy proceeding.