

GUYASUTA INVESTMENT ADVISORS, INC.

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This brochure provides information about the qualifications and business practices of Guyasuta Investment Advisors, Inc. ("Guyasuta"). If you have any questions about the contents of this brochure please contact us at 412-447-4560, or by email at invest@guyasuta.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.

Guyasuta Investment Advisors, Inc. is registered with the SEC. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor should be considered carefully in your decision to hire or retain the Advisor to provide advisory services.

A copy of this brochure is always available free of charge by contacting us at 412-447-4560 or by e-mail at invest@guyasuta.com. Additional information about Guyasuta can be found on the SEC's website at www.adviserinfo.sec.gov.

August 20, 2012

Material Changes

Annual Update

Guyasuta Investment Advisors, Inc.'s last annual update was March 30, 2012.

Material Changes since the Last Update

August 20, 2012 - Since our last material change on May 3, 2012 Matthew J. Teplitz has become a Partner. Mr. Teplitz is also a Co-Director of Equity Research and has been with Guyasuta since January of 2011. Please refer to Mr. Teplitz's brochure supplement, ADV Part 2B, which is included with this ADV Material Change disclosure for your review.

May 3, 2012 - Since the date of our last annual ADV amendment on March 30, 2012, there have been two material changes to our business. First, Mr. Peter F. Mathieson, who was our President, resigned his position and ownership shares as of April 16, 2012. Second, Henry S. Beukema III has become our President as of May 3, 2012. Mr. Beukema is a Partner and Co-Director of Equity Research and has been with Guyasuta since 2005. Please refer to Mr. Beukema's brochure supplement, ADV Part 2B, which is included with this ADV Material Change disclosure for your review.

Full Brochure Availability

The firm brochure for Guyasuta Investment Advisors, Inc. is available by contacting us at 412-447-4560 or by email at invest@guyasuta.com.

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Advisory Business

Firm Description

Guyasuta Investment Advisors, Inc. (Guyasuta) is a privately held independent registered investment advisory firm that works with individuals and institutions to assist them in defining and meeting their investment objectives in a highly personalized, client-focused and service-oriented environment. We have thirteen dedicated professionals who focus their energy, resources and considerable experience on investment research, portfolio management and client service. We offer our services and experience to a limited number of clients, each of whom has a long term commitment to diligent and prudent investing. By doing so, we can have at least one principal working directly with each client, experience closer and more frequent client contact and, most importantly, focus our time and talents on providing superior risk adjusted investment returns to our clients.

Guyasuta was founded in 1983 as Scheetz, Smith and Company and in 1994, through a corporate restructuring, changed our name to Guyasuta Investment Advisors, Inc. We are 100% owned by five full-time investment professionals active in our business.

Principal Owners

<u>Name</u>	<u>Title</u>	<u>Joined Guyasuta</u>	<u>Became Owner</u>
Richard B. Meyer*	Chairman & CEO	1983	1998
Henry S. Beukema III	President	2005	2009
Nancy B. Foster	Partner & COO	2001	2001
Matthew J. Teplitz	Partner	2011	2012
Ronald L. Bartosh, Jr.	Partner & CCO	1999	2009

* Original co-founder of Guyasuta Investment Advisors, Inc. 1983-1994, rejoined the firm in 1998.

Types of Advisory Services

Providing fee-only investment advice is our only business. Our clients are individuals, families, trusts, pooled investment vehicles, endowment funds, retirement plans, governments, non-profits, corporations and foundations. Guyasuta is structured so that all thirteen employees can work as collaboratively as possible. Each client relationship is confidential. The portfolio manager is responsible for knowing and understanding the investment objectives, risk tolerance and goals of each client. Our advisory services are designed to deliver our collective investment expertise in a highly personalized and effective manner, tailored for the unique needs of each client.

A detailed description of our fees (see page 6) and our investment strategies (see page 11) are covered later in this brochure.

Tailored Relationships

Each client relationship and account structure is customized to meet the client's unique investment objectives, risk tolerance and financial goals. The client is always free to place restrictions on any account(s). These restrictions are then monitored by the portfolio manager assigned to that account.

Wrap Fee Programs

We do not participate in any wrap fee programs. A wrap fee program is commonly offered by brokerage firms to provide clients with access to various non-affiliated investment advisors. The brokerage firm charges a comprehensive fee to the client for providing a bundle of services, such as investment advice, investment research and brokerage services.

Client Assets

As of February 29, 2012 our assets under management were \$817,290,000. All assets are considered discretionary assets, defined as assets over which we have full authority to make investment decisions for our clients, consistent with their objectives and our fiduciary responsibilities.

Fees and Compensation

Description

Our investment management fee is negotiated and typically based on a percentage of the client's assets under our management. Fees represent our only form of compensation, so fee negotiation represents a conflict of interest with each client. We attempt to lessen this conflict of interest by documenting the fee in the contract executed with each client at the onset of our relationship. This contract is commonly referred to as the Investment Management Agreement. In addition, we also present our invoices directly to our clients with their quarterly statements. We calculate fees on the market value of the accounts under management. We have a few clients who pay us a fixed fee, such as a fixed dollar amount each quarter, regardless of the value of their investments. We usually reduce or waive advisory fees for Guyasuta employees, their family members and related parties.

Fee Billing

Below is the starting point of our negotiations with a new client regarding our annual fee calculation:

<u>Account Size</u>	<u>100% Equity</u>	<u>100% Fixed-Income</u>
1 st \$2mm	1.00%	.60%
Assets from \$2mm – 4mm	.80%	.50%
Assets from \$4mm – 7mm	.65%	.40%
Assets from \$7mm – 10mm	.50%	.30%
Assets over \$10mm (mm = million)	.35%	.20%

Most of our clients are invoiced quarterly, in advance, based on the quarter end valuation in March, June, September, and December. We also have a few clients who prefer to have their fees calculated in arrears, (representing the prior quarterly period) based on the quarter end valuation.

Typically a client with less than \$2 million invested only in equity securities will be invoiced 1% of assets under management, while an account under \$2 million invested only in fixed-income securities will be invoiced 0.60%.

Most of our client accounts are invested in a mixed allocation of both equities and fixed-income, with the allocation customized to meet their specific objectives. In these cases we typically negotiate with the client a set fee schedule (see example of 60/40 illustration below) so as to recognize and eliminate the potential conflict of interest of potentially recommending a higher allocation towards equities, with the perceived motive of earning higher fees. These negotiated fees will be listed on our Investment Management Agreement and are clearly shown and calculated on each quarterly invoice.

<u>Account Size</u>	<u>Blended Asset Example 60% Equity / 40% Fixed</u>	<u>Effective Rate for Blended Example</u>
1 st \$2mm	.85%	\$1.5mm 60/40 \$1.5mm x .85 = \$12,750
Assets from \$2mm – 4mm	.70%	\$3mm 60/40 \$2mm x .85 = 17,000 \$1mm x .70 = <u>7,000</u> Total \$24,000 0.80%
Assets from \$4mm – 7mm	.55%	\$6mm 60/40 \$2mm x .85 = 17,000 \$2mm x .70 = 14,000 \$2mm x .55 = <u>11,000</u> Total \$42,000 0.70%
Assets from \$7mm – 10mm	.40%	\$9mm 60/40 \$2mm x .85 = 17,000 \$2mm x .70 = 14,000 \$3mm x .55 = 16,500 \$2mm x .40 = <u>8,000</u> Total \$55,500 0.62%
Assets over \$10mm (mm = million)	.30%	\$15mm 60/40 \$2mm x .85 = 17,000 \$2mm x .70 = 14,000 \$3mm x .55 = 16,500 \$3mm x .40 = 12,000 \$5mm x .30 = <u>15,000</u> Total \$74,500 0.496%

Regardless of the allocation of assets between equities and fixed-income investments, the invoice rates will be tiered as the account assets increase. The \$15mm example in the table above uses all 5 of the breakpoints for a sample 60% equity - 40% fixed-income client:

The first \$2mm would be invoiced at 0.85%,
the next \$2mm would be invoiced at 0.70%,
the next \$3mm would be invoiced at 0.55%,
the next \$3mm would be invoiced at 0.40%,
and then any assets over \$10mm would be invoiced at 0.30%.

This results in an effective rate of 0.496% for a \$15mm account with a 60% equity and 40% fixed allocation.

Again, these fees are annual rates and are negotiable.

For convenience, most of our clients provide us with signed permission to deduct their investment management fees directly from their accounts at their respective custodians. Direct debit clients should note that their custodian pays us based on our invoice and the custodian does not independently verify the fee amount to be debited. Clients are always able to pay Guyasuta directly for their management fees.

Other Fees

Given the nature of our advisory business of buying and selling securities for our clients, we use outside brokers and custodians for their services. Our clients pay other fees to outside service providers integral to the investment management process. Clients pay transaction and custodial fees to their custodian, as well as any commissions or charges to brokers who execute transactions on their behalf. (Please see page 17 for more information regarding Brokerage Practices). Outside of our 'Soft Dollar' agreement with Schwab Institutional (as described on page 17), Guyasuta has no affiliation with any third-party custodians/brokers.

Occasionally clients request exposure to certain asset classes not directly represented by our recommended investments in equity and fixed-income securities. In these situations, we may invest in mutual funds, exchange-traded funds, money markets, checking accounts and other collective funds. We select these third party investment products based upon desired asset classes, fee profile, past performance record and a subjective review of the underlying service provider. Clients will pay embedded management fees and other operating expenses charged by these providers. Guyasuta is not formally affiliated with these third party service providers or investment advisors and receives no compensation from them. Clients also may direct us to invest in mutual funds, exchange-traded funds and similar investment products directly in accounts managed by Guyasuta but without service or advice from Guyasuta on these assets.

Fees Paid in Advance

We refund advanced fees if the client or Guyasuta terminates the relationship for any reason permitted under the terms of our Investment Management Agreement. Any unearned fees are prorated on a daily basis and refunded within 30 days of termination.

Additional Compensation

Given the close personal relationship which often develops with our clients, employees of Guyasuta are occasionally requested to provide services such as serving as an Independent Trustee or as an Executor of a client estate. In those circumstances, Guyasuta reserves the right to request additional compensation beyond our investment management fees. These fees are negotiated and collected by Guyasuta and invoiced directly to the client. Revenue earned from these practices has historically represented less than 1% of our annual revenue.

Performance-Based Fees & Side-by-Side Management

Sharing of Capital Gains or Capital Appreciation

We do not charge performance-based fees nor do we have any side-by-side management accounts. Performance fees are based on a share of capital gains on or capital appreciation of the assets held within a client account. Side-by-side management is the practice of an advisor managing accounts that charge a performance-based fee and also managing accounts that charge an asset based fee.

Types of Clients

Description

Guyasuta offers investment advisory services for individuals, families, trusts, pooled investment vehicles, endowment funds, retirement plans, governments, non-profits, corporations and foundations. On occasion we also serve certain investors whose assets are below our stated \$1 million minimum; these individuals typically become our clients because of their personal relationships with Guyasuta employees, other Guyasuta clients or they have the potential to increase account size above our minimum in the near future after becoming a client.

Account Minimums

We generally require a minimum of \$1,000,000 in investable assets to begin a client relationship, but we reserve the right to waive this minimum. When smaller accounts are accepted, we seek sufficient diversification in line with unique client objectives to fulfill our fiduciary duty.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Investment Analysis

Our investment approach begins with “top down” analysis of the global economy where we consider a variety of factors, including but not limited to:

- GDP growth factors and how these affect industries/sectors

- Demographic changes and emerging middle class populations
- Infrastructure/Technology/Healthcare requirements

From here, our process moves to “bottom up” analysis of individual companies:

- 10-K/annual report review with an emphasis on footnotes to fully analyze "hidden" risks
- Comprehensive analysis of balance sheet and cash flow statement
- Phone or face-to-face meeting with management; Guyasuta asks its own due diligence questions and does not solely rely or focus on quarterly results
- Guyasuta often talks with competing companies to increase our understanding of the industry and confirm/deny various investment assumptions of our target companies

Investment Strategies

Equity Investment Strategy

We believe the purpose of investing in equity securities (stocks) is to grow your capital. Investing in equity securities involves a risk of loss and Guyasuta cannot guarantee the results or return of any investment or advice provided.

We take an ownership perspective to investing in individual equities with an objective to grow capital and minimize risk. Through the direct ownership of individual companies we base every investment decision on a thorough fundamental analysis of the underlying business and financial statements. By thoroughly analyzing the merits of each investment individually and as a portion of a larger portfolio, we focus on protecting our clients' assets from permanent capital loss. Our typical holding period for an individual stock is between 3 – 5 years, but we are constantly monitoring the price movements of each security. The Investment Committee has discretion to fine tune the timing of security purchases and sales. (Please see the section on our Investment Strategies on page 12).

We maintain a consistent process designed to own a diversified portfolio of up to 40 high quality companies with strong balance sheets, that generate a significant free cash flow yield, and have sustainable revenue growth opportunities. Free cash flow is the amount of money a company has left after paying all expenses, including capital investments for future growth. We invest across multiple market capitalizations, seeking the most favorable risk/reward opportunities with a focus on protecting each investment from permanent capital loss.

Our clients are owners of the companies in which we invest on their behalf. We believe in direct stock ownership so that our clients are as close as possible to their investments. This removes layers of fees and provides more control.

Equity Selection Process:

- Screen for companies with sound balance sheets and substantial “free cash flow”; companies must have well defined revenue growth plans
- Evaluate company management and define potential risks
- Select 25 - 40 holdings diversified by industry and sector, with 15 – 25% annual turnover resulting in an average holding period of 3 – 5 years

- Sales of holdings are triggered by a fundamental deterioration in the business, declining free cash flow yields, and/or exceeding price expectations

We do not have a defined allocation to international equities, though we own non-U.S. domiciled companies.

We occasionally recommend equity securities characterized by high dividend yields, including Real Estate Investment Trusts (REITs) and Master Limited Partnerships (MLPs). According to the IRS, to qualify as a REIT, a real estate company must agree to pay-out in dividends at least 90% of its taxable income. An MLP has no tax at the corporate level as long as the entity derives at least 90% of its income from real estate, commodities or natural resources. These investments are more volatile and risky than our conservative bond strategy, which is explained in the next section, but offer growth potential and income for equity investors. The REITs and MLPs we recommend for clients are subject to the same rigorous analysis and due diligence as our equity investments.

Fixed-Income Investment Strategy

We believe the purpose of a fixed-income portfolio is to provide a steady and dependable stream of income, while reducing the volatility of the overall portfolio. Guyasuta uses our own fundamental research for the purchase decision of each individual bond issue, carefully weighing macroeconomic and issue-specific risks. When buying bonds, we consider the underlying credit quality of the issuer, the term structure of each offering and credit spreads to similar offerings. We consider, but do not rely upon rating agencies or insurance-backed bond issues. We are conservative. We believe that risk and volatility are best absorbed by an investor's equity holdings. The portion of an investor's total portfolio dedicated to fixed-income should offer very few surprises.

Key Points of Fixed-Income Strategy:

- Structure individualized portfolios to minimize both credit and interest rate risks
 - Customized structure with a percentage of bonds maturing each year, generally from year two through year fifteen, with the proceeds of maturing bonds invested in additional bonds. This 'laddered approach'
 - Reduces the risk of changing economic conditions
 - Captures a high percentage of the 30-year maximum yield with far less downside exposure
 - We buy both new issue bonds and secondary bond offerings
- The taxable equivalent yields of municipal debt issues is evaluated versus taxable bonds for non tax-sheltered accounts

Investment Process

Members of our Investment Committee include Henry Beukema III, Matthew Teplitz, Neil Van Horn, Richard Meyer, Nancy Foster, Edwin F. Scheetz, Jr. and Paul Magovern (see the

accompanying brochure Supplement for biographical information). The Committee meets regularly to discuss the capital markets, global economic activity, individual securities, industry sectors and asset allocation. Each of these individuals is a portfolio manager; the investment decisions of the Investment Committee are not binding on the individual portfolio managers as we recognize that each client has unique needs and often places restrictions on certain investments.

We manage each client relationship through separate accounts, to meet individualized investment goals. Most client accounts fall within the following investment strategies:

Equity: See Equity Investment Strategy on page 11

Fixed-Income: See Fixed-Income Investment Strategy on page 12

Balanced: A combination of both our Equity and Fixed-Income Investment Strategies

Risk of Loss

Our clients face the risk of loss when investing in any type of securities, whether an equity or fixed-income vehicle. Your principal investment and expected income stream and/or growth of that investment has the potential to be lost. There are no guarantees when investing; past performance may not be indicative of future results and does not guarantee gain or loss in the future.

As with any investment program, specific risks to your account may include:

Market Fluctuation - financial markets and the value of investments change substantially over time, which may lead to loss of portfolio value, especially in a short-term time horizon.

Equity Investments - equities are exposed to general stock market swings and unpredictable changes in value, as market confidence and opinions of their issuers change.

Fixed-Income Investments – prices of fixed-income (bond) securities typically fall when interest rates rise. This risk is usually greater for longer-maturity bond securities. Investments in bonds with lower credit ratings (and non-rated credits) are subject to a greater risk of loss to principal and interest than those with higher credit ratings.

Income Risk - risk that an investment strategy designed to produce income falls short, resulting in the failure to meet cash flow demands or the need to sell assets to produce these demands.

Liquidity Risk - risk that you may not have full access to your funds if your account assets cannot be converted into cash according to normal market settlement standards.

Smaller Company Investments - investments in smaller companies involve added risks such as limited liquidity and greater volatility, which may hinder our ability to sell these investments in a timely manner at a fair and competitive price.

Disciplinary Information

As an SEC-registered investment advisor, we are required to disclose all material facts about any legal or disciplinary events that would be material to your evaluation of Guyasuta or the integrity of our management team. Guyasuta has no disciplinary information to report.

Other Financial Industry Activities and Affiliations

We have no broker-dealer or registered representative affiliations.

We are not affiliated with any type of futures or commodity advisers or associated persons.

We have no material relationships or arrangements with any other participant in the financial industry.

Guyasuta does not recommend or select other investment advisers for compensation. As described above, we may on occasion utilize no-load mutual funds or exchange traded funds as requested by certain clients or for smaller accounts that are unable to diversify properly with our equity or fixed-income investment methods. In addition to the embedded advisory and service related fees, these accounts will pay commissions for these trades to their custodians, but Guyasuta receives no compensation and we have no affiliation with any of the companies that manage or distribute these fund products.

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

Code of Ethics

Guyasuta has adopted a Code of Ethics ("Code") which requires our principals and employees ("Access Persons") to adhere to the highest ethical standards and always place the interests of our clients ahead of their own personal interests. The Code describes our fiduciary duty to clients and is designed to ensure that we treat all clients fairly and equitably. The Code includes specific compliance policies and procedures designed to identify and ban certain types of personal securities transactions thought to create a conflict of interest. The Code is also an aid

to the company in preventing, detecting and imposing sanctions for “insider trading” or the use of material, non-public information. All of our principals and employees must certify each year their understanding of and compliance with all provisions of the Code and related policies and procedures.

A copy of our Code of Ethics is available at no charge to any client or prospective client upon request by calling 412-447-4560 or by e-mail at invest@guyasuta.com.

Recommend Securities with Material Financial Interest

Guyasuta does not recommend to clients, or buy or sell for client accounts, securities in which any principal or employee has a material interest.

Invest in Same Securities Recommended to Clients

Guyasuta has adopted Personal Trading Policies and Procedures (“Personal Trading Policy”) to avoid either actual or potential conflicts of interests. The Personal Trading Policy prohibits certain types of personal securities transactions for all Access Persons and requires pre-approval of others thought to create a potential conflict of interest. Access Persons must conduct all personal security transactions in accordance with the Code and Personal Trading Policy. An Access Person is an employee involved in policy-making (e.g., member of management or investment committee), or ongoing investment and administrative decision-making for client accounts. Guyasuta considers all of our employees access persons.

The Code permits officers, employees, and the firm to personally invest in the same securities that are bought and sold for clients. We may also own securities of issuers subsequently purchased for clients. Under the heading of Personal Trading Policies, we describe our process for creating a fair and equitable distribution of trades when we combine personal trades with client trades. We may also buy or sell a specific security for our own accounts, based on personal investment considerations, which we do not deem appropriate to buy or sell for clients. Access Persons may also be involved in other business ventures and investment opportunities which are not offered or available to Guyasuta clients. In such situations, Access Persons may encounter conflicts of interest between their personal investment activity and their fiduciary duty to Guyasuta clients. We follow strict policies to remove or limit these conflicts of interest. If not fully resolved, conflicts of interest are disclosed as soon as prudently possible.

Personal Trading Policies

As mentioned above, when we combine personal trades with client trades there may be a conflict of interest in the manner in which we allocate the executed prices for each buy and sell transaction. To eliminate the possible conflict, we have developed the following policy to create a fair and equitable price distribution for each transaction. When possible, we combine (“block”) all of our clients, our firm’s profit sharing plan, company accounts and our employees’ personal trades together and utilize the services of a third party trader/brokerage firm to execute the transaction at the best price for the entire block of shares. Sometimes these trades take a day or more to complete; at the end of each trading session, we instruct the trader to combine the results of all transactions for the day, compute and then report the average price for each share transacted. When a trade takes more than one trading session to complete; we maintain a

listing of all the affected client accounts, sorted by account number and follow a consistent process to fairly allocate securities. In these cases all employee, employee related accounts, the firm's profit sharing and company accounts will always be filled last after all client accounts have received their full allocation.

For example, a list of all accounts to be traded is created and sorted by account number starting with account number 1000-0000. When the first trade that is not fully executed occurs, we will begin allocating shares to the accounts starting at 1000-0000 until all shares acquired or sold are allocated to the appropriate accounts. When the next lot of shares is bought or sold, the next account in the list will receive the shares until the order has been completely filled. If this allocation process causes an account to receive a partial fill of their allocation, for example 400 of 500 shares total, we have discretion to place the allocation in the next account that matches the number of shares remaining or partially fill that account's position. Given the nature of the financial markets, despite our best efforts, some clients may be disadvantaged by this process and the accounts of our Access Persons may on occasion receive better prices on certain transactions.

To keep the process orderly and fair, when the next partially filled block trade is executed the first accounts to receive shares will start with 2000-0000, and then the next will start with 3000-0000 and so on until account number 9000-0000 is the starting group for a partial execution. Once all the accounts have had a partial fill start with their grouping of accounts we will start back at 1000-0000.

We use this block trading process for all accounts custodied with Charles Schwab & Company, Inc. and accounts that have Delivery vs. Payment (DVP) trading accounts with Schwab. (DVP accounts allow us to trade with Schwab but have the securities delivered to or from the specific broker/dealer that holds custody of that client's assets). This allows us to batch nearly all of our accounts into one trading group. Any account held with a custodian that cannot be traded with a DVP account at Schwab (a client directed trading/custodian account), must have their trades called into their respective trading desks. These accounts will be executed in the allocation as if their account numbers were before 1000-0000. (For example, if a block trade starts with 9000-0000, once account number 9999-9999 is allocated the portfolio managers of the non-DVP accounts will call in their trades to their respective trading desks. Once execution is completed for these accounts the block trade will continue with account number 1000-0000).

Our employees are permitted to hold personal investment accounts that are not formally supervised by the firm. All statements for these accounts are received by the firm. Employee trading is continually monitored by the Chief Compliance Officer under the Code of Ethics to reasonably prevent conflicts of interest between Guyasuta and our clients.

Brokerage Practices

Selecting Brokerage Firms

Guyasuta is independently owned and operated, and is not affiliated with any broker or custodian. Except under a directed brokerage arrangement, Guyasuta generally has discretion over the selection of the broker to be used and the commission rates to be paid when executing client trades. In selecting a broker, we may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block position capabilities, offering us on-line access to computerized data regarding clients' accounts, and other matters involved in the receipt of brokerage services.

Research and Soft Dollars

We may also purchase from a broker or allow a broker to pay for certain research services such as those terms that are defined in Section 28(e) of the Securities Exchange Act of 1934 which are deemed "Research" including, economic and market information, industry and company comments, technical data, recommendations, general reports, on-line pricing, quotation services and industry conference fees (a "soft-dollar" relationship). We may or may not pay a higher brokerage commission than another broker-dealer might charge for effecting the same transaction to cover soft-dollar services. In such a case, however, Guyasuta determines in good faith that such commission is reasonable in relation to the value of brokerage, research, other services and soft-dollar relationships provided by such broker/dealers, viewed in terms of either the specific transaction or Guyasuta's overall responsibilities to the discretionary portfolios.

Some, but not all soft dollar research services benefit the accounts which pay the commission to the broker providing such services. Use of soft dollar commissions represents a conflict of interest. Without soft dollars, we would pay for certain research and brokerage services out of pocket with fee revenues rather than with client commissions. We have adopted strict compliance policies to ensure that our soft dollar practices are consistent with our duty to achieve best execution and that soft dollar services represent fair and measurable value for our clients. This includes thorough pre-approval and reconciliation of soft dollar expenses by investment and compliance professionals. We believe that soft dollar services improve the overall quality of our investment advisory services.

Benefits of Schwab Relationship

Since 1989, Guyasuta has had a professional relationship with Schwab Advisor Services (Schwab), a division of The Charles Schwab & Co. Inc. For the past several years we have had an annual soft dollar agreement with Schwab. In January of 2012, we renewed this agreement and Schwab agreed to provide Guyasuta with brokerage and/or research services. Under these provisions, Schwab has agreed to pay a total of \$10,000 directly to Bloomberg, L.P. to help cover part of the costs of our market data services through December 31, 2012. Schwab has assured us that our clients' existing competitive commission rates will not be increased or

decreased by this agreement, and that we are not obligated to generate any target level of revenue to Schwab to help defray the costs of providing these services. We believe this agreement in no way compromises our duty to consistently obtain the best execution for our clients. Both Guyasuta and Schwab may cancel this agreement at any time.

As mentioned previously, we have the ability to work with any custodian or broker, but Schwab is the provider of choice for most of our clients' business. Schwab is one of the largest providers of brokerage services to the independent advisor industry, providing web-based operational and technological support and client reporting. While there is no direct linkage between the investment advice given and participation in the Schwab program, economic benefits are received for our entire client base which would not be received if Guyasuta did not utilize Schwab's services. These benefits include, but are not limited to, the following:

- Receipt of duplicate client confirmations in either paper or electronic form and bundled duplicate statements
- Access to a trading desk serving investment advisor participants exclusively
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to clients accounts at the same average price for all accounts (see Personal Trading Policies on page 15)
- The ability to trade outside custodial accounts through Schwab with a DVP (Deliver vs. Payment) account, which allows for average pricing on accounts outside of Schwab
- Ability to have investment advisory fees deducted directly from client accounts
- Access to an electronic communication network for client order entry and account information
- Receipt of compliance publications
- Access to mutual funds which generally require significantly higher initial investment minimums and typically have lower expense ratios or are available only to institutional investors
- Access to Schwab's industry conferences and locally sponsored investment, technology, and compliance events

In 2002, 2003, 2005, 2009, 2010 and 2011 Schwab paid conference dues (value to Guyasuta of over \$1,000 annually) for one Guyasuta employee to attend IMPACT, their annual investment industry conference. In 2004 and 2006 Schwab paid the dues for two employees to attend the annual conference. We believe that our access to these benefits does not depend upon transaction volumes directed to Schwab or the value of client assets under management custodied with Schwab.

Trading Away from Schwab

Although Schwab is our provider of choice for custodial and brokerage services, we may execute transactions for our clients with other brokers based on our analysis of receiving a better qualitative execution. In these cases the option to execute a transaction at a brokerage firm which is not also the client's custodian is known as 'trading away'. The decision to trade away is subjective which considers not only the net security price, trading costs, commissions, the outside broker's reputation, access to security market flows and ability to block and settle trades, but also a judgment on the quality of the investment research provided by the broker. In these situations, when a client's assets are held at Schwab and we execute the trade through a

different broker, the client pays a trade away fee to Schwab in addition to the negotiated commission to the executing broker. In these cases, we believe the additional cost is reasonable given our analysis of best qualitative execution. Clients may restrict us from trading away; by not signing the Prime Broker authorization, however, their executions generally will not be aggregated and will most likely receive different prices from the average price we receive for most clients.

We highly recommend that clients allow us to trade away from Schwab for fixed-income trades as we have developed many long standing relationships with the fixed-income trading desks at firms which greatly benefit our clients. The fixed-income markets are not as efficient as the equity markets and often we can negotiate more favorable prices with access to more appropriate bond issues at these other firms.

Brokerage for Client Referrals

We have never received any brokerage credit for client referrals.

From April 1, 2002 through December 31, 2006 we did participate in a project known as the Schwab Advisor Network (Network). During this time period our participation in the Network program entitled us to receive client referrals from Schwab Advisor Services in exchange for a referral fee of 15% of our standard client advisory fee, paid quarterly to Schwab. During our participation in the Network we received fewer than 10 client accounts. Our agreement with the Network was jointly terminated on December 31, 2006. As a result, we will no longer have to pay Schwab for any referrals from the retail branch offices. However, for those clients who were referred under the Network arrangement, we will continue to pay a referral fee of 15% quarterly to Schwab. These clients' fees were not raised to make up for this referral fee. The 15% is deducted from the overall Guyasuta investment management fee before Guyasuta's fee is paid from the client's accounts at Schwab.

Directed Brokerage

Certain clients may tell us to trade all or a portion of their portfolio transactions with a designated broker-dealer. This practice is known as 'directed brokerage.' We accept client directed brokerage as long as it does not materially undermine our ability to provide best qualitative execution for these clients. We make no attempt to negotiate commissions for clients who direct brokerage. As a result, clients who direct brokerage may pay higher commissions than clients who do not direct brokerage. Commission rates will depend on each client's commission arrangement with the referring broker-dealer as well as other factors such as the number of shares, round and odd lots, and the market for the security.

Directed brokerage may result in less favorable stock prices, especially for illiquid securities and during volatile market conditions compared to other clients who do not direct brokerage. When the client directs brokerage, the client represents that he has negotiated and is satisfied with the terms and conditions (including commission rates) of all brokerage services. We are not responsible to obtain the best prices or any particular commission rates for transactions with or through any such broker for the client's account.

When we are instructed to direct brokerage away from the broker executing the bulk of our trading activity that client may not receive the same price of execution and may pay a higher commission rate for those transactions. For example, if we block a purchase for 100,000 shares of XYZ stock at "Broker A" we may get an average price of \$10.00 per share and pay a commission of only \$0.02 per share due to the large size of the trade (executing broker receives \$2,000). However, the directed trade will most likely be a smaller trade which can affect the execution price received (for instance \$10.03) and be subject to a higher commission rate such as \$0.07 per share. Although it is possible that the directed account will benefit on price and commission charges from time to time, clients should regularly review the information they receive from their brokers.

Order Aggregation

Please see the section labeled Code of Ethics, sub-section Personal Trading Policies on page 14 for our order aggregation policy.

Review of Accounts

Initial Reviews

Before initiating a formal relationship with a prospect we review several pertinent issues to make certain that our investment philosophy and style is appropriate given the prospect's objectives. These issues usually include reviewing risk tolerance, age, lifestyle, income statement, balance sheet, estate plans and tax sensitivity. The answers to these questions assist both the prospective client and the portfolio manager in formulating our investment plan.

Periodic Reviews

Mr. Meyer, Mr. Beukema, Mrs. Foster, Mr. Van Horn, Mr. Scheetz, Mr. Magovern and Mr. Teplitz are the portfolio managers. As a group and individually we monitor and review our client accounts on a regular basis. We use Advent's Axys Portfolio Management system to update and reconcile our clients' holdings on a daily basis for all accounts that are custodied with a firm that participates in the Advent ACD system. We currently receive this electronic feed of data from Schwab Advisor Services, BNY/Mellon, PNC Financial, and Merrill Lynch. This system allows us to electronically download transactions, prices, cost basis, and reconciliation files every day. Accounts that are not available in the Advent ACD system are reconciled manually to the custodial statements on a monthly basis.

Mr. John S. Connors is also a portfolio manager for Guyasuta and maintains direct responsibility for managing fewer than 15 client accounts. Mr. Connors maintains an office in Philadelphia PA and is not a formal member of our Investment Committee. He does however use a similar investment approach and often joins Investment Committee discussions. All of our accounts, including those managed by Mr. Connors, are reviewed for compliance purposes by Mr. Bartosh, our Chief Compliance Officer.

Account Review Triggers

Client accounts are reviewed regularly by the portfolio managers assigned to the account and by our administrative staff for any irregularities. For instance, each day once all information is downloaded and reconciled, the cash balance report is processed to make sure no account has become overdrawn (i.e., moved into a negative cash balance). The accounts are also monitored for compliance within their respective asset allocation targets. Given our relatively small ratio of clients to portfolio managers we enjoy close relationships with clients and their respective investment objectives. We do not require our clients or portfolio managers to sign specific Investment Policy Statements (“IPS”) but we do keep a suitability profile for each client. When a portfolio moves outside of its targeted asset mix range, the portfolio manager is responsible for deciding when to rebalance the account. Many factors can move an account out of balance with its target allocation, including financial market movements, new monies deposited to the accounts, withdrawals from the portfolio, or even new securities added to the accounts. When these types of transactions occur, our portfolio managers are alerted to take appropriate action.

In general, our institutional (non-profit, corporate and government) accounts do require us to manage their portfolios to a more formalized IPS. In those cases, as well as instances when our individual clients request strict adherence to a specific asset allocation, the portfolio managers must rebalance to comply with the written IPS.

Regular Reports

Each client receives a regular quarterly report at the end of each calendar quarter (March 31, June 30, September 30 and December 31). We produce these customized reports internally and typically include detailed portfolio appraisals, purchases and sales, realized gains and losses, contributions and withdrawals, and performance information for the individual or group of client accounts as well as a timely market commentary. These reports are available in mailed paper form or via our secure website at www.Guyasuta.com. Clients may request monthly statements. These reports are separate from the monthly or quarterly statements our clients receive from their qualified custodians.

Client Referrals and Other Compensation

We do not currently use outside parties or solicitors for client referrals.

Custody

Account Statements

The assets of each client account are held by a qualified custodian, generally a bank, trust company, or broker-dealer. As detailed in the above section on Brokerage Practices, on page 16, clients select the custodian to maintain their assets. These custodians send, to each of their clients, confirmations of all trading activity, at least quarterly account statements, as well as information updates for their accounts. Most custodians offer this information in paper format or electronically. Clients are urged to compare custodial reports to Guyasuta reports for accuracy, even though we reconcile these accounts regularly to assure accurate reporting. Custody occurs when an adviser or related person directly or indirectly holds client funds or securities, or has the ability to obtain possession of them. Guyasuta does claim “custody” according to the SEC because several of our employees serve as Trustee for client trust accounts. These clients have asked Guyasuta to serve as Trustee because of our long standing relationships and trust that has been placed in our employees.

Because of this claim of “custody” we are subject to an annual surprise audit by a public accounting firm according to SEC rules. This audit is conducted by Thomas Gaitens PC each year. The last audit covered the period from January 1, 2011 through October 31, 2011. A copy of our audit report is available by calling us at 412-447-4560 or by email at invest@guyasuta.com.

Although we claim “custody” we do not actually hold any cash or securities for any client account(s).

Investment Discretion

Discretionary Authority for Trading

We have complete discretion over the selection and amount of securities to be bought and sold without obtaining specific client consent according to our signed Investment Management Agreements with each client. Because we serve many clients, there may be conflicts of interest over our time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by Guyasuta. We attempt to resolve all such conflicts in a manner that is generally fair and equitable to all clients. We may give advice and take action with respect to any of our clients and individual accounts that may differ from advice given or the timing or nature of action taken for another client. In so doing, it is Guyasuta’s policy, where practicable, to allocate investment opportunities over time on a fair and equitable basis relative to other clients. We are not obligated to buy or sell the same security for all accounts. We may buy or sell securities for our own account or employee accounts that we

believe are not well suited for client accounts. In all these cases, we follow compliance policies to ensure that client interests come before the interests of the firm and our employees.

The only limit to our discretionary trading authority occurs under directed brokerage arrangements, as outlined above. We will then execute their transactions in the most prudent fashion. Some clients place restrictions on our asset allocation policy and security selection for their accounts which may require pre-approval to buy or sell certain securities. Portfolio managers handle client pre-approvals.

Voting Client Securities

Proxy Voting

We have adopted a Proxy Voting Policy to handle all client Proxy Voting for discretionary accounts. We utilize a proxy voting service, ProxyEdge from Broadridge, to facilitate voting client proxies. This service allows us to consolidate account voting across all custodians. Upon written request, any client may review this Policy or any of the details of a proxy vote, as long as the client's account was involved in the vote.

Any Non-ERISA account has the option to vote the proxies for the client's account on their own, but, in general, Guyasuta votes all proxies. If a client reserves the right to vote proxies, we require instructions in writing.

As a matter of policy, we maintain detailed records of all client proxy votes. Please contact us for a copy of our proxy voting policies and a history of how proxies have been voted for your account.

Financial Information

As an SEC-registered investment advisor, we must disclose information about our financial condition. Guyasuta has no financial obligation that impairs the firm's capacity to meet contractual and fiduciary commitments to our clients, nor has the firm been the subject of a bankruptcy proceeding. Guyasuta has no short or long-term debt.