

Item 1 – Cover Page

Ganucheau Capital Management, Inc.

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Fort Worth, Texas 76102

817-332-9915

March 30, 2012

Form ADV Part II Brochure (Disclosure Document)

This Form ADV Part II Brochure is an integral part of the investment decision process and should be read in detail. If you have any questions about the contents of this Brochure, please contact us at 817-332-9915.

Ganucheau Capital Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

The Investment Advisors Act of 1940 [Rule 204-3(a)], requires investment advisors to provide all clients and prospective clients with a written disclosure document. The main purpose of this disclosure is to provide information regarding our services, fees, business practices, possible conflicts of interest, material affiliations and other relevant information. The information in this form has not been approved or verified by any governmental authority.

This document contains information regarding our investment strategies, investment objectives, investment philosophy, investment process, and investment managers, among other information that is relevant to the investment decision process.

Notification: This Form ADV Part II Brochure (Disclosure Document) is • not an offer or recommendation to buy or sell securities • confidential • intended exclusively for the recipient • not to be reproduced or distributed • not an advertisement • not intended for public use or distribution • not inclusive of all of the information needed to make an investment decision (risks, fees, other) • an integral part of our presentation and should be read.

A copy of our ADV Part I is available upon request, and also may be found online at:
www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx

Item 2 – Material Changes

This Form ADV Part II Brochure (dated 03-30-12) has the following material change(s) since our last update (dated 03-30-11). This Brochure should be reviewed in its entirety.

Material Change(s) this period:

Matthew J. Ganucheau, CFA removed from Form ADV Part II Brochure

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Frank P. Ganucheau, III, CFA, Principal, at 817-332-9915.

Additional information about **Ganucheau Capital Management, Inc.** is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with **Ganucheau Capital Management** who are registered, or are required to be registered, as investment adviser representatives of **Ganucheau Capital Management**.

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	4
Item 7 – Types of Clients	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9 – Disciplinary Information	5
Item 10 – Other Financial Industry Activities and Affiliations	12
Item 11 – Code of Ethics.....	12
Item 12 – Brokerage Practices	16
Item 13 – Review of Accounts	20
Item 14 – Client Referrals and Other Compensation.....	21
Item 15 – Custody.....	21
Item 16 – Investment Discretion.....	22
Item 17 – Voting Client Securities.....	23
Item 18 – Financial Information.....	23

Item 4 – Advisory Business

Ganucheu Capital Management, Inc. is a successor firm to GSB Investment Management, Inc. (principals purchased this predecessor firm and Old Mutual/UAM subsidiary on 12/31/01). – Ganucheu Capital Management, Inc. was “formed” on 12/31/01 (the “inception date”) when Principals (along with one other investor who subsequently sold his stock back to the adviser) repurchased GSB Investment Management (“predecessor” firm) from Old Mutual (United Asset Management, a NYSE publicly traded firm that bought GSB in 1993, was purchased by Old Mutual in 2000). This 100% change in GSB Investment Management, Inc. ownership, final dissolution of the GSB investment committee (investment committee of 5 investment professionals and board members disbanded between 1998 and 12/31/01 leaving Frank Ganucheu) and reorganization resulted in a “new” firm with an “inception date” as of the repurchase on 12/31/01. The firm name was later changed to Ganucheu Partners, Inc. in December 2003, and subsequently to Ganucheu Capital Management, Inc. in May of 2005.

SERVICES OFFERED

Ganucheu Capital Management, Inc. manages investment portfolios for “institutional” and “individual” clients.

Ganucheu Capital Management, Inc. (“GCM”) provides the following services to clients:

- (Approx. 25%) Investment Supervisory Services, defined as “Giving continuous investment advice to a client (or making investments for the client) based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client’s personal and family obligations.”
- (Approx. 75%) Management of investment advisory accounts not involving investment supervisory services.

Ganucheu Capital Management manages advisory accounts on a discretionary and non-discretionary (some sort of client imposed restriction) basis.

Managers may decline to work for accounts with client imposed restrictions.

All forms of investment may lose value.

Past performance does not guarantee future results. Material market or economic conditions and/or fundamentals/valuations of individual securities selected for portfolios can vary widely over time and can result in a loss of portfolio value.

Our primary investment strategy or service is equity portfolio management:

- **Large Fundamental Value Equity (LFVE** – approximately 25-30 stocks)

This equity portfolio management strategy is the only **EQUITY** strategy offered to new clients.

For a description of the methods of analysis, sources of information and investment strategies used by **Ganucheu Capital Management**, see the response to “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**” section on page 5 of this brochure.

EDUCATIONAL AND BUSINESS STANDARDS – INVESTMENT PERSONNEL

Personnel involved in determining or giving investment advice to clients must have a college degree.

FRANK PETER GANUCHEAU, III, CFA

Birth date 7/27/45

Education:

- **Southeastern Louisiana College**, Hammond, LA, 12/67 - B.S. Zoology
- **St. Mary's University**, San Antonio, Texas, 6/69 - M.A. Economics
- **Institute of Chartered Financial Analysts**, 9/74 - C.F.A.

Business Background: (Over 40 Years of Investment Experience)

- **Principal, Equity Analyst, Portfolio Manager, Ganuchreau Capital Management, Inc., 12/31/01 to present** (Ganuchreau Capital Management, Inc. is a successor firm to GSB Investment Management, Inc. (principals purchased this predecessor firm and Old Mutual/UAM subsidiary on 12/31/01) – see form ADV Part II for more detail.); Analyzes companies, searches for investment candidates, and manages portfolios following a value/contrarian philosophy.
- **Founder (with 2 other partners), Principal, Portfolio Manager (member of Investment Committee), Equity Analyst, GSB Investment Management, Inc., 1/87-12/01.** GSB Investment Management, Inc. was sold to United Asset Management (UAM), a New York Stock Exchange (NYSE) listed firm, in December 1993.
- **Portfolio Manager, Head of the Investment Section of the Trust Department and member of the MSecurities Division of MBank Holding Company, 1/85-1/87;** Frank's promotion to MSecurities allowed his Value Commingled Funds to be offered to the whole holding company banking system. Frank had sole discretion of the Value Commingled Funds at The Trust Department of Continental Bank (and successor organization MSecurities) from 1/77-1/87. He received national attention for his investment performance and the success of his book "The Investor's Equation" (interviewed by *The Wall Street Journal*, *New York Times*, and *Pension & Investment Age*; appeared twice on television financial programs).
- **Portfolio Manager and Head of the Investment Section of the Trust Department, Continental National Bank, 1/77-1/85** (Continental Bank was the second lead bank in the Southwest Bankshares Holding Company that was eventually acquired by MBank Holding Company); Frank had sole discretion of the Value Commingled Funds at The Trust Department of Continental Bank (and successor organization MSecurities-see above) from 1/77-1/87.
- **Equity Analyst, Republic Bank of Texas, 1/72-1/77.**
- **Equity Analyst, First Pennsylvania Bank, 1/70-1/72.**
- **Registered Representative, Dittmar Investment Bankers, 12/68-1/70.**
- **Co-Author of "The Investor's Equation – Creating Wealth Through Undervalued Stocks"** – a book that details "Value" investing that was published nationwide by Probus Publishing (which is now part of McGraw Hill) in 1984.
- **Interviewed by *The Wall Street Journal*** ("Abreast of The Market" Column), the *New York Times*, *Pension & Investment Age*, *Changing Times*, *The Fort Worth Star Telegram*, *The Dallas Morning News*, and *Texas Monthly*.
- **Appeared in television interviews** on investment and finance related programs "Money Talk" on the "Financial News Network" in California (12/84) and "The Ben Larsen Show" in Chicago (5/84) to talk about his "Value" investment philosophy.

Item 5 – Fees and Compensation

FEE SCHEDULE

Ganucheau Capital Management will offer investment supervisory services to clients for a fee. This fee will be charged quarterly, in arrears, and will be calculated as a percentage of client assets under management (total fair market value of securities, cash and cash equivalents as shown on the investment manager's portfolio accounting system at the end of the quarter). The quarterly fee equals client assets under management at the end of the quarter times the appropriate annual fee rate divided by four.

The minimum account size for our services is \$100,000.

Large Fundamental Value Equity (LFVE – approximately 25 to 30 stocks):

Large Fundamental Value Equity (LFVE) Schedule of Management Fees		
Equity/Cash Account Size	Annual Fee*	
First	\$ 15,000,000	0.75%
Next	\$ 35,000,000	0.50%
Next	\$ 50,000,000	0.35%
Over	\$ 100,000,000	0.25%

* % of assets under management; calculated and paid quarterly in arrears

LFVE Fees for Various Account Sizes	
Equity/Cash Account Size	Annual Fee*, % Assets
\$ 5,000,000	0.75%
\$ 10,000,000	0.75%
\$ 25,000,000	0.65%
\$ 50,000,000	0.58%
\$ 75,000,000	0.50%
\$ 100,000,000	0.46%
\$ 150,000,000	0.39%
\$ 200,000,000	0.36%

* calculated and paid quarterly in arrears

Fixed Income Portfolio Management:

Fixed Income Schedule of Management Fees	
Fixed Income Account Size	Annual Fee*
Any size > \$1mm minimum	0.35%

* % of assets under management; calculated and paid quarterly in arrears

Fixed Income Substitute Portfolio Management:

Fixed Income Substitute Schedule of Management Fees	
Fixed Income Account Size	Annual Fee*
Any size	0.50%

* % of assets under management; calculated and paid quarterly in arrears

In the event the account has not been managed for a full quarter, the fee shall be charged on a pro-rata basis. The client agreement (contract) may be cancelled at any time, by either party, for any reason upon receipt of 30 days written notice. In the event a customer terminates, they shall be charged on a pro-rata basis if the client terminates before the end of the quarter. Upon termination of any account, any prepaid, unearned fees will be promptly refunded (some clients elect to pay us quarterly in advance).

The client may terminate the contract (without advance written notice) within 5 business days after entering into the contract without penalty (and without pro-rata fees).

The fees charged are not based on the capital gains or the capital appreciation of any funds or any part of any funds of any client (there are no “performance fees”). As client assets appreciate, the fee to **Ganucheu Capital Management**, which is a percentage of assets under management, will increase, and vice-versa.

Under certain circumstances, fees and account minimums may be negotiable (at the discretion of **Ganucheu Capital Management**).

Clients may instruct **Ganucheu Capital Management** to deduct fees directly from their custodial account or bill them directly for the quarterly fees incurred.

OTHER FEE RELATED ITEMS

The fee schedule was established in May 2005. Accounts under management at **Ganucheu Capital Management, Inc.** at that time were established under a different schedule, and often at the discretion of a principal. Existing fee agreements were not altered.

Ganucheu Capital Management may use mutual funds that carry their own fees. **Ganucheu Capital Management** may include these mutual funds in the calculation of assets under management to determine fees. If **Ganucheu Capital Management** did charge a fee on such assets, the client would be paying fees to both the Mutual Fund Company and **Ganucheu Capital Management**. Under no circumstances does **Ganucheu Capital Management** receive any fees from the funds for recommending them to clients or trading them for clients.

CLIENTS WITH “WRAP” ARRANGEMENTS

Several clients of **Ganucheu Capital Management** have an arrangement with their broker where trading costs and broker custodial/consulting fees, along with portfolio management fees paid to **Ganucheu Capital Management**, are combined and paid as one asset based fee (a “wrap fee”). Clients with these “wrap” brokerage arrangements have direct contracts with **Ganucheu Capital Management**. These arrangements do not represent an endorsement of or an opinion regarding **Ganucheu Capital Management** from the broker. Clients that have this arrangement with their broker include clients with accounts at Morgan Stanley Smith Barney. **Ganucheu Capital Management, Inc.** fees may be lower in these cases depending on the circumstances.

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

Ganucheu Capital Management, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Ganucheu Capital Management, Inc. manages investment portfolios for “institutional” and “individual” clients which include:

- Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

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

TYPES OF INVESTMENTS

Ganucheau Capital Management, Inc. offers advice on the following types of investments:

- Equity securities
 - 1) exchange-listed securities
 - 2) securities traded over-the-counter
 - 3) foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Investment company securities of mutual fund shares
- United States government securities

METHODS OF ANALYSIS

Ganucheau Capital Management Inc.’s security analysis methods include “Fundamental”. For additional information please see the following [“MANAGEMENT OF “EQUITY” PORTFOLIOS”](#) section on page 6 of this brochure.

SOURCES OF INFORMATION

The main sources of information **Ganucheau Capital Management** uses to determine investments include:

- Financial newspapers, magazines and publications
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases
- We may interview corporate managers and/or institutional investor relations personnel. These conversations are usually held over the phone. This additional source of information is not a prerequisite for investment.

INVESTMENT STRATEGIES

Ganucheau Capital Management, Inc. uses the following investment strategies to implement any investment advice given to clients:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)

MANAGEMENT OF “EQUITY” PORTFOLIOS

Ganucheau Capital Management, Inc. is focused on the selection of publicly traded equity securities for client portfolios. We manage equity portfolios with a view toward capital appreciation. We also consider dividends, which are a component of total return. We analyze fundamentals and valuation (price) to arrive at our opinions.

Please see the summary presentation (including Investment Objectives, Investment Philosophy, Investment Process, and Investment Managers) for our **Large Fundamental Value Equity (LFVE)** strategy on the following page 7 of this brochure.

Ganucheau Capital Management Inc. – Large Fundamental Value Equity (LFVE)

Selecting Equity Securities based on Fundamentals and Valuation...

Investment Objectives	The objectives of this strategy are <u>long-term capital appreciation and excess returns over time relative to the S&P 500.</u>
Investment Philosophy	The core premise of our investment philosophy is that <u>businesses are often undervalued given their fundamental characteristics.</u> Undervaluation usually occurs when there is <u>negative sentiment</u> or short-term controversy regarding a specific company or a particular industry in general (they are "out of favor"), or when they are ignored because investors are enamored with stocks in other areas. Our analysis includes <u>studying the source of undervaluation</u> to determine if that reason is temporary or longer-term in nature. If we can <u>identify and understand the reason</u> for undervaluation and determine that there is no significant impairment to long-term fundamentals, we have a time horizon (patience for temporary undervaluation to correct) and a fundamental basis for contrarian investment. We focus on identifying undervalued businesses because the <u>price paid is a major determinant of investment returns, along with the compounding growth of sales and earnings.</u>
3-5 year horizon	We have a <u>3-5 year investment horizon.</u> Our time horizon enables us to focus on the valuation of the business in relation to its long-term fundamentals rather than hoping to trade for a quick return (a short-term focus often necessitates ignoring cases of undervalued businesses). The street's myopic focus on the short-term can create a <u>disconnect between valuation and fundamentals,</u> providing opportunities for long-term investors. We believe a <u>long-term focus can help us add value,</u> and that chasing short-term returns like the majority of the "street" would lead to mediocrity. A <u>patient approach can add value</u> because controversy leading to undervaluation often fades, cyclically depressed earnings/financial strength/valuations "normalize" as cyclical end markets recover, value in assets can be unlocked "sum of the parts analysis", etc.
concentrated	We believe in <u>putting significant weight into our investment ideas.</u> The LFVE portfolio contains approximately 25 to 30 stocks. Our opinion (based on various studies) is that this provides the majority of the benefits of diversification while enabling our investment decisions to have <u>meaningful impact.</u>
Investment Process	Our process is a <u>bottom-up, index indifferent selection of securities based on long-term fundamentals and valuation.</u> We do not try to time the market or blindly "rotate" in and out of market sectors because we believe it is impossible to consistently add value by doing so. Our portfolios have little overlap with major indices (we are not "closet indexers"). Investment candidates are <u>culled from screens</u> (valuation/fundamentals), news, cumulative knowledge on companies and industries (experience), research publications, sell side and independent research, and other sources. Subsequent <u>internal research</u> guides our investment decisions.
bottom-up	A <u>bottom-up analysis of the fundamentals</u> of a business may lead us to conclude that a business is undervalued; or, we may determine that a business should be "cheap" due to poor competitive dynamics and sub-par returns on capital, poor growth prospects, a deteriorating capital position, and the like. We view investment in a "stock" as ownership in a business. An <u>ideal investment candidate</u> would have a <u>strong long-term fundamental outlook,</u> strong competitive advantages and above average growth prospects, selling at a valuation level that (for some reason) did not reflect these strengths. Opportunities may also come in the form of <u>more average businesses</u> that are significantly undervalued (our investment time horizon may be shorter in these cases). <u>Turnaround situations</u> may play a role from time to time if we determine that management goals are achievable and the price is low enough to compensate us for the added risk.
Investment Manager	Principal Frank P. Ganucheau, CFA (over 40 years of investment experience) manages the Large Fundamental Value Equity (LFVE) portfolio. GCM has the <u>experience and analytical ability to identify and assess reasons for undervaluation and the patience and conviction</u> to implement this bottom-up contrarian strategy of selecting securities based on fundamentals and valuation.

Notification: This presentation is a supplemental to the full disclosure presentation contained herein a not an offer or recommendation to buy or sell securities a confidential a intended exclusively for the recipient a not to be reproduced or distributed a not an advertisement a not intended for public use or distribution a not inclusive of all of the information needed to make an investment decision (risks, fees, other) a subject to a more complete description (see Form ADV Part II which is an integral part of this presentation and should be read). Past performance does not guarantee future results. Material market or economic conditions and/or fundamental/valuations of individual securities selected for portfolio can vary widely over time and can result in a loss of portfolio value.

Ganucheau Capital Management, Inc. • 301 Commerce Street, Suite 1470 • Fort Worth, Texas 76102 • Tel 817.332.9915 • Fax 817.810.0585

OTHER ITEMS RELATED TO EQUITY PORTFOLIO MANAGEMENT

We believe in putting significant weight into our investment ideas. This allows our decisions to have meaningful impact. We build portfolios (in separate accounts) of approximately 25 to 30 stocks (usually approximately 25 stocks but could be 20-30+) in the **Large Fundamental Value Equity (LFVE)** strategy. The appropriateness of the strategy depends on the circumstances and objectives of the client. The number of stocks may vary according to what is available at the time.

Many investors would consider our portfolios concentrated and undiversified given the relatively small number of holdings.

The volatility (standard deviation, etc.) of our portfolios may be higher than the “market” due to the fact that we have fewer holdings than the market, different holdings and /or weightings than the “market”, different “sector weights” than the market, etc.

Our portfolios may not “track” various market indices. Our portfolios may have significantly different holdings and weightings than market indices, both in companies and in “sectors”. Our strategies do not seek to mimic market returns and instead are focused on selecting equity securities on a bottom-up basis that we believe can lead to capital appreciation over time.

We cannot predict the direction of the market, interest rates levels, or the direction of the economy. We cannot guarantee investment results or protection against losses.

We do not try to “time the market” or make top-down macro calls like “it’s time to get out of the market”, etc. This does not preclude us from holding significant amounts of cash when we cannot find attractive investments. Clients should not expect us to try to “time the market” or “get out of the market before it falls” and should consider their asset allocation as a method of risk management.

Ganucheau Capital Management, Inc. retains total discretion on choosing which equity securities we believe will benefit clients, with no limitations, unless otherwise specified by the customer (for example, a customer may not want us to buy tobacco stocks or alcohol stocks, usually referred to as “sin stocks”, among others).

General descriptions and strategy names given here (such as approximate number of stocks or general philosophy) are in no way meant to restrict investment decisions. For example, we may decide to buy more stocks than the “usual” range (with smaller weightings) if we determine that there is many attractive investment opportunities, or fewer stocks (with larger weightings) if we determine that there are fewer attractive investment opportunities. We may decide to buy several stocks representing a certain idea in a “basket” with smaller than normal weightings (which would skew upward the number of stocks in the portfolio). We may determine there is “value” in stocks that others generally categorize as “growth” companies. We may find “value” in small or mid-cap stocks and include these in the portfolio. In this sense, “Large Value” in the names of our equity portfolios is a general descriptive name that in no way restricts managers. **Determination of “value” is subjective and at the total discretion of Ganucheau Capital Management portfolio managers.**

There may be decisions made (or considered) in a non-taxable account that will not be made (or considered appropriate) in a taxable account. Tax consequences (capital gains and dividend taxation) are considered before trading in taxable accounts.

The cash levels and turnover in a client's portfolio are a function of portfolio manager preferences and the availability of attractive investment opportunities as determined by **Ganucheau Capital Management**.

All forms of investment may lose value.

Past performance does not guarantee future results. Material market or economic conditions and/or fundamentals/valuations of individual securities selected for portfolios can vary widely over time and can result in a loss of portfolio value.

EQUITY PORTFOLIOS ARE MANAGED TO A “MODEL”

Ganucheau Capital Management usually manages equity accounts to a “MODEL” portfolio. We have equity “MODELS” for our **Large Fundamental Value Equity (LFVE)** (usually approximately 25 to 30 stocks but could be 20-30+) strategy. There may also be different “models” for non-taxable accounts and taxable accounts within these strategies (or taxable and non-taxable models within each strategy may be identical). Most accounts will generally follow the appropriate model, with certain variances in weightings.

New accounts (and new money in existing accounts) will usually be set up with weightings that mirror the appropriate “model” managed portfolio (although there may be cases where weightings may differ from the model).

There are sometimes extenuating circumstances such as low levels of funds in the account, low cost basis holdings in taxable accounts, or client imposed restrictions (don’t sell <certain company>, don’t buy <certain company>, don’t buy tobacco stocks, don’t buy sin stocks, don’t buy stocks under a certain market capitalization or quality rating, “call first” for client approval before transactions, etc.) that would cause a portfolio to differ from the model.

Managers may decline to work for accounts with client imposed restrictions.

Model weights are not usually “equally” weighted. A position may be initiated at (or become) a larger (or smaller) weight than an average position in the portfolio. New accounts will usually be invested with the model portfolio weighting even if it is larger (or smaller) than an average position in the portfolio. Equity portfolio models (stocks and weightings) are monitored and modified when managers feel that conditions warrant changes.

If part of a portfolio is liquidated or withdrawn, the remaining portfolio will usually follow the appropriate equity model. Adding or withdrawing funds may therefore require transactions in every position (every stock), which may create meaningful transaction costs. Meaningful transaction costs (both in \$ terms and as a percentage of the transaction) may also be incurred if the dollar value of the portfolio or portfolio addition/withdrawal is small so that transaction “commission minimums” are triggered.

EQUITY PORTFOLIOS – INVESTMENT OF ASSETS (TIMING)

Client assets will usually be invested all at once immediately, or over a short period of time. This “short period of time” may range from several days to the end of the “grace period” before composite inclusion (9 months for the **Large Fundamental Value Equity (LFVE)** portfolio).

Clients should only grant **Ganucheau Capital Management** investment authority over funds that are ready to be invested unless otherwise specifically stated in writing and agreed upon by client and manager.

In very unusual circumstances, client assets may also be invested over a longer period of time if there are unique client objectives and circumstances (and/or directions of the client) that warrant investment over a longer time period. Managers may decline to work for accounts with client imposed restrictions.

SPECIAL FOREIGN CONSIDERATIONS

Where there are no restrictions against them, foreign issues may be purchased for accounts. Foreign issues may be purchased as American Depositary Receipts (ADRs), American Depositary Shares (ADSs), or “ordinary” shares

(ORDS), which trade on foreign exchanges. Foreign securities offer different risks from domestic equities. Many other countries do not have as stringent a set of regulations dealing with securities and issuers as the U.S. does. As a consequence, the depth of information and disclosure may not be as great in foreign countries. There may also be sovereignty risks in that the government of a foreign company's country may place restrictions on capital and currency flows and may also nationalize firms or industries, expropriate private property and restrict foreign ownership of business and/or markets. Foreign banks and brokerages also recognize separate and additional holidays that may affect trade settlements, the receipt of dividends and income, and all other capital transactions including liquidations.

Currency exchange-rate fluctuations affect the U.S. dollar value of foreign holdings. **Ganucheu Capital Management, Inc.** does not hedge against changes in currency exchange rates. Given the uncertain holding period for equities, costs associated with rolling over short-term hedge positions and currency contract size requirements, **Ganucheu Capital Management** believes that hedging is generally inappropriate for its clients and it is not necessary to produce positive results over a long period of time.

Trades on foreign exchanges may incur greater transaction charges than trades on U.S. exchanges. Foreign equities may be subject to withholding taxes on dividends from the country of origin. These taxes typically range from 15-25% of the dividend paid and under some circumstances may not be refundable.

MANAGEMENT OF “FIXED INCOME” PORTFOLIOS

Ganucheu Capital Management, Inc. is focused on the selection of publicly traded equity securities for client portfolios. **Ganucheu Capital Management** purchases publicly traded bonds for customers in fixed accounts or balanced accounts. These bonds are usually instruments with high credit ratings such as Treasuries, Agencies, highly rated Municipal bonds (depending on the tax situation of the client), or highly rated corporate bonds. There may be cases where we feel that an investment is warranted despite a low credit rating. Bond portfolios are usually laddered, meaning that bond maturities are usually spread out over time. To maintain this “ladder”, current maturities would need to be reinvested back in securities at the end of the “ladder”. The goal is to achieve and maintain this “ladder” but there may be extended periods of time where bonds are not purchased (maturities are left in cash and new fixed income money is not invested) due to manager perception of market circumstances. This is at the total discretion of **Ganucheu Capital Management** unless specified by a client (we may allow maturities or new fixed income dollars to remain in cash if we are uncomfortable investing further out on the maturity yield curve). We usually hold bonds until maturity. We do not usually frequently trade or “actively manage” (apart from initial investment) the bonds. Transaction costs sometimes mean that trading the bonds actively is not appropriate, but even if trading costs were not significant, we would not usually frequently trade, or “actively manage” the bonds.

General descriptions given here (“usually” items such as credit rating, laddered strategy, holding to maturity) are in no way meant to restrict investment decisions. For example, we may decide to buy a convertible bond or preferred security (or other security) in lieu of a bond. We may buy several bonds with low credit ratings. We may allow maturities to remain in cash. We may not hold until maturity, etc.

MANAGEMENT OF “FIXED INCOME SUBSTITUTE” PORTFOLIOS

Ganucheu Capital Management, Inc. is focused on the selection of publicly traded equity securities for client portfolios. **Ganucheu Capital Management, Inc.** will sometimes determine that fixed income investments invoke an unseen risk of inflation. As a result, **Ganucheu Capital Management** offers a “Fixed Income Substitute” strategy that consists of high-yielding equities, usually with the goal of a 3.0% or better average yield. The dividend growth over time should protect to some degree the inflation risk of a fixed rate bond, particularly in low interest rate environments. Permission is obtained from the client before implementing this strategy.

MANAGEMENT OF “BALANCED” PORTFOLIOS

Ganucheu Capital Management, Inc. is focused on the selection of publicly traded equity securities for client portfolios. “Balanced” accounts are essentially a combination of our equity and fixed income portfolios. The client guides the asset allocation between equity and fixed income securities (based on income needs, risk tolerance, investment time horizon, unique circumstances, etc.). We do not actively manage the asset allocation, which usually is changed only in response to a client request (their objectives/circumstances change, etc.). We do not have full discretion regarding asset allocation. This does not preclude us from holding cash in the equity portion of the portfolio if we believe there are not many opportunities for investment, etc.

MANAGEMENT OF PORTFOLIOS INCLUDING MUTUAL FUNDS

Ganucheu Capital Management, Inc. is focused on the selection of publicly traded equity securities for client portfolios. **Ganucheu Capital Management** has rarely used mutual funds or index funds (only after consultation with the client) to obtain exposure to certain asset classes for the purpose of diversification of a client's portfolio, or to minimize cash levels at the direction of the client. Mutual funds carry their own fees. **Ganucheu Capital Management** may include these funds in the calculation of assets under management to determine fees. If **Ganucheu Capital Management** did charge a fee on such assets, the client would be paying fees to both the Fund Company and **Ganucheu Capital Management**. Under no circumstances does **Ganucheu Capital Management** receive any fees from the funds for recommending them to clients or trading them for clients.

DISCLOSURE: COMPLETION OF TRANSACTIONS

All accounts may not complete transactions in purchase “programs” as prices may increase beyond what we are willing to pay before all orders are complete. All accounts may not complete transactions in sell “programs” as prices may decline below where we are willing to sell before all orders are complete. **Ganucheu Capital Management** rotates accounts for new purchases as well as for sales. Please see detail in “Trading Allocation” section on page 17 of this brochure.

PERFORMANCE RESULTS DISCLOSURE

PERFORMANCE COMPOSITES

Performance results shown by **Ganucheu Capital Management, Inc.** include client results from 9/30/02 forward. ***Ganucheu Capital Management, Inc.** is a successor firm to **GSB Investment Management, Inc.** (principals purchased this predecessor firm and **Old Mutual/UAM subsidiary** on 12/31/01).* The inception date of **Ganucheu Capital Management** is 12/31/01 (coinciding with the 100% repurchase of **GSB Investment Management** (“predecessor” firm) from Old Mutual, final dissolution of the GSB investment committee (investment committee of 5 investment professionals and board members disbanded between 1998 and 12/31/01 leaving Frank Ganucheu) and reorganization). Our standard policy is to allow a “grace period” of 9 months (to invest cash or change a portfolio to our model) before accounts are included in performance composites. 9 months from inception of **Ganucheu Capital Management** (12/31/01 ownership change, GSB investment committee dissolution, reorganization) puts the beginning date for performance of our composites at 9/30/02.

OTHER PERFORMANCE INFORMATION

A copy of the **Ganucheu Capital Management, Inc.** “Performance Standards Policies & Procedures Compliance Manual” is available upon request.

All forms of investment may lose value.

Past performance does not guarantee future results. Material market or economic conditions and/or fundamentals/valuations of individual securities selected for portfolios can vary widely over time and can result in a loss of portfolio value.

Legal counsel has advised **Ganucheu Capital Management, Inc.** not to present client results from the “predecessor” firm (**GSB Investment Management, Inc.**) because they were generated by an investment committee that is fully disbanded, leaving only Frank, as of the 12/31/01 repurchase from **Old Mutual/United Asset Management**, and therefore they may be misleading to prospects or clients. **Ganucheu Capital Management, Inc.** is a successor firm to **GSB Investment Management, Inc.** (principals purchased this predecessor firm and **Old Mutual/UAM subsidiary** on 12/31/01).

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 your evaluation of **Ganucheu Capital Management, Inc.** or the integrity of **Ganucheu Capital Management’s** management. **Ganucheu Capital Management** has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Ganucheu Capital Management, Inc. has no information applicable to this Item.

Item 11 – Code of Ethics

RESTRICTIONS REGARDING CLIENT TRANSACTIONS

Principals and Employees of **Ganucheu Capital Management, Inc.** may buy or sell securities that **Ganucheu Capital Management** recommends are bought or sold for clients. The following restrictions, procedures and disclosures are in place to avoid conflicts of interest in those transactions.

(Copied from the Ganucheu Capital Management Code of Ethics)...

General Policy: **Ganucheu Capital Management, Inc.** has adopted the following principles governing personal investment activities by **Ganucheu Capital Management’s** supervised persons:

- The interests of client accounts will at all times be placed first.
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility.
- Supervised persons must not take inappropriate advantage of their positions.

(Copied from the Ganuchean Capital Management Code of Ethics)...

RESTRICTIONS/PROCEDURES/DISCLOSURES TO AVOID CONFLICTS

- **Participation in IPOs is NOT ALLOWED:** No supervised person shall acquire any beneficial ownership in any securities in an Initial Public Offering for his or her account.
- **Pre-Clearance Required for PRIVATE OR LIMITED OFFERINGS:** No supervised person shall acquire beneficial ownership of any securities in a limited offering or private placement without the prior written approval of the Chief Compliance Officer Frank P. Ganuchean, III, CFA who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the supervised person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts.
- **PRE-CLEARANCE:** No supervised person shall purchase or sell, directly or indirectly, any security that is being traded or contemplated being traded for clients. The supervised person shall fill out a pre-clearance Employee Related Securities Transaction Form and request a "clear the desk" status on the trade desk.
- **PRE-CLEARANCE OF PERSONAL TRADES:** A supervised person may, directly or indirectly, acquire or dispose of beneficial ownership of a reportable security only if: (i) such purchase or sale has been approved by a supervisory person designated by **Ganuchean Capital Management, Inc.**; (ii) The approved transaction is executed only after the trading desk has been "cleared" which means that any trading being done or contemplated being done for clients has been completed or withdrawn/cancelled; and (iii) the designated supervisory person has not rescinded such approval prior to execution of the transaction. Post-approval is not permitted.
 - For personal trades, clearance must be obtained from the Chief Compliance Officer (Frank P. Ganuchean, III, CFA) before trading. Clearance must be obtained by completing and signing the Pre-Clearance Form (provided for that purpose by the Chief Compliance Officer) and receiving approval from the Chief Compliance Officer (Frank P. Ganuchean, III, CFA). The Chief Compliance Officer monitors all transactions by all access persons in order to ascertain any pattern of conduct which may evidence conflicts or potential conflicts with the principles and objectives of The **Ganuchean Capital Management, Inc.** Code of Ethics, including a pattern of front-running.
 - Advance trade clearance in no way waives or absolves any supervised person of the obligation to abide by the provisions, principles and objectives of The **Ganuchean Capital Management, Inc.** Code of Ethics. Government Bonds, Money Market or Mutual Funds are exempt from Pre-Clearance but not reporting.
- **Interested Transactions:** No supervised person shall recommend any securities transactions for a client without having disclosed his or her interest to the compliance officer if any, in such securities or the issuer thereof, including without limitation:
 - any direct or indirect beneficial ownership of any securities of such issuer;
 - any contemplated transaction by such person in such securities;
 - any position with such issuer or its affiliates; and
 - any present or proposed business relationship between such issuer or its affiliates and such person or any party in which such person has a significant interest
- **Short-Term Trading Profits:** Short Term Trading; Short term personal trading of stocks that clients own is rare, but not prohibited due to:
 1. The potential for the existence of unique circumstances in personal accounts that differ from client accounts (such as taxes, availability and suitability of other investments, sector weights, diversification, unique circumstances, etc.). For example, a covered person may own a very large percentage of his portfolio in a certain sector (while client portfolios have a much lower weighting in that sector), and may have purchased more stocks in that sector (after clients were finished buying and the "desk was clear"). If those stocks appreciated meaningfully, the covered person may determine that

the weighting in that particular sector is too high and wish to sell some (or all) of the stocks that he just bought to reduce this weighting (a short-term trade realizing in a profit). Because clients had a much lower weighting to begin with, this same concern may not apply to them; in this example the covered person would sell his stock while clients still held theirs. Similar scenarios could be envisioned for a non-taxable account of a supervised person versus taxable accounts of clients (especially when considering the much higher tax on capital gains for taxable accounts for holding periods under 1 year).

In summary, Short-term personal trading of stocks that clients own would be a rare occurrence, and would only occur when there existed unique circumstances of covered persons (that differed somehow from clients).

(Copied from the Ganucheu Capital Management Code of Ethics)...

ADDITIONAL RESTRICTIONS – MATERIAL, NONPUBLIC INFORMATION

- No supervised person may trade, either personally or on behalf of others (such as investment funds and private accounts managed by **Ganucheu Capital Management, Inc.**), while in the possession of material, nonpublic information, nor may any personnel of **Ganucheu Capital Management, Inc.** communicate material, nonpublic information to others in violation of the law.
- Tender offers represent a particular concern in the law of insider trading for two reasons: First, tender offer activity often produces extraordinary gyrations in the price of the target company's securities. Trading during this time period is more likely to attract regulatory attention (and produces a disproportionate percentage of insider trading cases). Second, the SEC has adopted a rule which expressly forbids trading and "tipping" while in the possession of material, nonpublic information regarding a tender offer received from the tender offeror, the target company or anyone acting on behalf of either. Supervised persons of **Ganucheu Capital Management, Inc.** and others subject to The **Ganucheu Capital Management, Inc.** Code of Ethics should exercise extreme caution any time they become aware of nonpublic information relating to a tender offer.
- Frank P. Ganucheu, III, CFA may place certain securities on a "restricted list." Supervised persons are prohibited from personally, or on behalf of an advisory account, purchasing or selling securities during any period they are listed. Securities issued by companies about which a number of supervised persons are expected to regularly have material, nonpublic information should generally be placed on the restricted list. Frank P. Ganucheu, III, CFA shall take steps to immediately inform all supervised persons of the securities listed on the restricted list.
- Frank P. Ganucheu, III, CFA may place certain securities on a "watch list." Securities issued by companies about which a limited number of supervised persons possess material, nonpublic information should generally be placed on the watch list. The list will be disclosed only to Frank P. Ganucheu, III, CFA and a limited number of other persons who are deemed necessary recipients of the list because of their roles in compliance.

LIMITED INVESTMENT OPPORTUNITIES

Ganucheu Capital Management, Inc. defines "limited investment opportunities" as potential investments where **Ganucheu Capital Management** is unable to gain access to enough of the investment to meet targeted levels for clients (based on the equity/cash balances in the portfolio and the targeted weighting in the portfolio). Employees and/or principals of **Ganucheu Capital Management** would not participate in limited investment opportunities along with clients. For example, if a secondary offering (principals and employees of **Ganucheu Capital Management** do not participate in equity initial public offerings "IPO's" per the Code of Ethics) is "limited" and

we cannot get the number of shares desired to fill targeted positions for clients, then Employees and/or principals of **Ganucheu Capital Management** would not participate in that secondary offering. If, however, the number of shares offered by the broker was adequate to fill targeted positions for clients, and there were additional shares offered over and above that requirement, employees and/or principals of **Ganucheu Capital Management** may participate in that secondary offering if pre-clearance is received from the Chief Compliance Officer.

Another “limited” investment opportunity situation could be an investment in a thinly traded security or one with a small market capitalization, among others. In this case, we would run an allocation across our entire base of accounts, based on a targeted percentage of equity/cash assets under management, and trade them in the order determined by rotation, as we would with any trade. And, as with any trade, principals and employees of **Ganucheu Capital Management** would not trade until trading was completed for all clients (for whom the trade was appropriate) and the “desk was cleared”, with appropriate Pre-Clearance Form filled out and accepted by the Chief Compliance Officer.

PRIVATE OFFERINGS

Private offerings are not considered for clients of **Ganucheu Capital Management, Inc.** (we only invest in publicly traded securities for clients). Principals and employees of **Ganucheu Capital Management** may invest in private offerings if pre-clearance is received from the Chief Compliance Officer.

CODE OF ETHICS

Principals and Employees will be governed by the Code of Ethics adopted by **Ganucheu Capital Management, Inc.** The **Ganucheu Capital Management** Code of Ethics sets forth standards of conduct expected of advisory personnel and addresses (among other items) conflicts that arise from personal trading by advisory personnel. An advisor must act at all times in the client’s best interests and must avoid or disclose conflicts of interest.

The Code of Ethics includes the restrictions detailed under the **“RESTRICTIONS REGARDING CLIENT TRANSACTIONS”** on page 12 of this brochure and **“ADDITIONAL RESTRICTIONS – MATERIAL, NONPUBLIC INFORMATION”** heading on page 14 of this brochure.

A copy of the Code of Ethics is available to any client or prospective client upon request.

OTHER ITEMS

Employees and/or principals of **Ganucheu Capital Management, Inc.** may purchase securities that are not deemed to be appropriate for clients. Employees and/or principals of **Ganucheu Capital Management** may sell securities that are deemed to be appropriate and/or desirable for clients.

Principals and employees of **Ganucheu Capital Management** are in no way bound to trade personal accounts in a manner identical or similar to what is determined to be appropriate and/or desirable for clients. Unique objectives and circumstances of principals and employees may differ from clients.

Once client trades have been completed (and the Pre-Clearance form is filled out and submitted to (and approved by) the Chief Compliance Officer and the “desk is cleared”), principals and employees of **Ganucheu Capital Management** may buy or sell the securities. In some cases, principals and employees may already own securities that are later determined to be appropriate for client accounts. In some cases, principals and employees may decide to sell securities due to personal circumstances that are nonetheless determined to be appropriate for client accounts.

Item 12 – Brokerage Practices

INVESTMENT OR BROKERAGE DISCRETION

Ganucheu Capital Management, Inc. has the authority to determine, without obtaining client consent, the:

- 1) Securities to be bought or sold
- 2) Amount of the securities to be bought or sold
- 3) Broker or dealer to be used
- 4) Commission rates paid

Ganucheu Capital Management, Inc. suggests brokers to clients. Please see the following information regarding **“DIRECTED ACCOUNTS”** and **“BROKER SELECTION”**.

DIRECTED ACCOUNTS

Many clients, when undertaking an advisory relationship, already have their own brokers and they will instruct **Ganucheu Capital Management, Inc.** to execute all transactions through the same. In the event that a client directs us to use a particular broker or dealer, it should be understood under those circumstances that commissions would not be negotiated and volume discounts or best execution may not be achieved. In addition, under these circumstances, a disparity may exist between the commission charged to the directed account and commissions charged to other clients where we are free to choose where to trade the account (“open” accounts).

BROKER SELECTION

Ganucheu Capital Management, Inc. will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help **Ganucheu Capital Management** in providing investment management services to clients. **Ganucheu Capital Management** may, therefore, recommend the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all of our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

SOFT DOLLAR BROKER / RESEARCH

Description of “soft dollar” arrangement: The portion of the costs of such products or services attributable to research usage may be defrayed by **Ganucheu Capital Management, Inc.** through directing brokerage commissions generated by client transactions, without prior agreement or understanding by the client.

Ganucheu Capital Management often trades through a “soft dollar” broker. These “soft dollars” are used to “purchase” research related items such as subscriptions to certain investment publications, databases of fundamental business information, online research services that allow us to access research from analysts, e-mail updates (“the fly on the wall” service) that track brokerages and other sources for company events (news, conferences, etc.) and other research related items. These “soft dollars” are generated by “open” accounts where we have discretion over which broker to trade with (we generally trade “directed accounts” through the brokerage where clients have domiciled the assets although we may “trade away” or “step out” if circumstances warrant it).

Research purchased with these “soft dollars” is used for all accounts, even the ones (directed accounts, for example) who do not contribute to the generation (through trading at “soft dollar” brokers) of “soft dollars”. We have found (and continue to monitor) that cost and execution are generally acceptable at our “soft dollar” broker.

The “soft dollar” broker applies a factor to the cash price of the research item that increases its “cost” in “soft dollars”. For instance, if a service costs \$1,000 hard dollars per year and the “soft dollar” broker applies a factor of 1.60, then the service would cost \$1,600 “soft dollars”.

In unusual instances, **Ganucheu Capital Management** may receive from broker dealers’ products or services that are used both for investment research and for administrative, marketing, or other non-research purposes (“mixed-use”). This has not happened recently and we do not expect it to happen in foreseeable the future. However, if such instances should arise, **Ganucheu Capital Management** would make a good faith effort to determine the percentage of such products or services which may be considered as investment research, and the portions of the costs attributable to non-research usage of such products or services would be paid by **Ganucheu Capital Management** to the broker dealer in cash.

Ganucheu Capital Management allocates a very large percentage of its “open” trades (trades that are not directed by a client to a specific broker) to a soft-dollar broker for the purposes of gaining access to RESEARCH. In addition, “Open” trades that are not sent to A soft-dollar broker are typically sent to brokerages that provide **Ganucheu Capital Management** access to research materials from their analysts. Therefore, all or practically all “Open” trades are sent by **Ganucheu Capital Management** to sources that provide research resources (“soft dollar” firms that then pay for third party research –OR– brokerage firms that give us access to their internally generated “sell-side” analyst research). This research, paid for by trading “open” or non-directed accounts, will likely benefit all clients, including those with directed brokerage agreements that do not help to pay for the research.

TRADING ALLOCATION

Ganucheu Capital Management, Inc. will allocate trades in a fair and equitable manner to all clients with no group favored. Allocation methods are rotational allocation and pro-rata allocation.

ROTATIONAL ALLOCATION: **Ganucheu Capital Management** rotates accounts for new purchases as well as for sales. Accounts are usually grouped by brokerage (if they are directed) or together as “open” accounts (if they are not directed). These groups are then rotated to ensure that no group is favored. Accounts that require prior approval or have other restrictions may be traded after discretionary accounts. Since those restrictions imposed by clients may take additional time to comply with (such as “call first” accounts that require approval on each transaction), holding up trades on discretionary accounts (without restrictions) may not be prudent. Additionally, in trading groups that are not typically bunched or aggregated (when they are aggregated, everyone in that group receives the average transaction price), the trading order within the group is rotated.

DISCLOSURE – COMPLETION OF TRANSACTIONS – All accounts may not complete transactions in purchase “programs” as prices may increase beyond what we are willing to pay before all orders are complete. All accounts may not complete transactions in sell “programs” as prices may decline below where we are willing to sell before all orders are complete. **Ganucheu Capital Management** rotates accounts for new purchases as well as for sales.

PRO-RATA ALLOCATION: If there were a limited investment opportunity for clients, such as an IPO (or secondary), it would be available to all clients (assuming it was appropriate given guidelines and restrictions) on a pro-rata basis (based on equity/cash assets). No client would be favored over another. If we could not get enough shares to fill our desired allocation firm wide, everyone would receive a proportionately reduced number of shares. For example, if our desired allocation required 500,000 shares and we were only allocated 400,000 shares by the broker, then each client would receive their initially calculated target number of shares (that added up to 500,000)

less 20% (rounding may apply but would be insignificant). In this example, an account where we initially targeted a purchase of 10,000 shares (based on asset levels and the targeted weighting across our portfolios) would be allocated 8,000 shares. **Ganucheu Capital Management** does not regularly participate in IPO's (or secondary offerings), but it may occur from time to time.

As another example, if an aggregated trading order is partially filled, then accounts will be allocated their pro-rata share based on the original allocation (with rounding that should have an insignificant effect) at an average price for the group for the day (see **"TRADING AGGREGATION"** section below).

TRADING AGGREGATION

Ganucheu Capital Management, Inc. may "block trades" (aggregation) or bunch them where possible and when advantageous to clients (add trades together to try to get more favorable terms or better execution). When accounts are aggregated, clients receive average pricing (all of the accounts in that particular trading group have the same average price). Although they receive the same average price if they are bunched or aggregated, they may pay different commissions (which are a portion of the total "cost basis"). Open accounts usually pay a set rate of so many cents per share (6 cents for example although in some cases there may be a minimum commission per account which might make the commission per share different for different open accounts). Broker directed accounts may have commission minimums that apply and may have varying commission agreements; these (along with the fact that accounts are different sizes) could cause the commission per share to differ for different accounts. Certain brokerages do not allow us to "bunch" or aggregate broker-directed accounts.

If an aggregated trading order is partially filled, then accounts will be allocated their pro-rata share based on the original allocation (with rounding that should have an insignificant effect) at an average price for the group for the day. (Partial fills can occur because in some cases trading for an aggregated "trading group" of accounts requires several days; clients in that group would receive their pro-rata share of what was executed for each day, at an average price for the group for the day.)

Employees and Principals of **Ganucheu Capital Management** do not usually participate in bunching (Employees and Principals do not aggregate proprietary accounts (personal accounts) with those of clients for purposes of trading); they trade after client trades are completed, the Pre-Clearance Form is filled out and accepted by the Chief Compliance Officer, and the desk is "cleared". There may be a very rare exception to this – in the case of an extremely illiquid security (if we were trying to put together a block of shares to attract a buyer or seller) we may include shares of employees/principals along with clients. In this case, transactions of both clients and employees/principals would be executed at the average the price of the bunched "block" of shares. In this extremely rare instance (it has only happened once at our firm), clients and principals/employees of **Ganucheu Capital Management** would be treated equally, i.e. have transactions executed at the same average price.

In an instance where principals/employees of **Ganucheu Capital Management** decide to trade in the same manner as clients (which is not required due to the potential for differing unique circumstances), this policy of not aggregating personal accounts with client accounts (except in extremely rare circumstances like the liquidity instance mentioned above) could result in proprietary accounts (personal accounts) having a different transaction price on a trade (higher or lower) than client accounts.

OTHER ITEMS

Ganucheu Capital Management, Inc. does not engage in agency cross transactions. An agency cross transaction means a transaction in which **Ganucheu Capital Management** would act as an investment adviser and broker dealer for an advisory client and another person on the other side of the transaction. Further, there are two types of agency cross transactions: customer to customer and customer to affiliated broker dealer. Under such an arrangement, an adviser needs to comply with SEC Rule 206(3)-2.

Clients may pay commissions on over-the-counter trades, in addition to a markup/markdown.

Due to commission minimums, smaller accounts may pay a higher cost (as a % of assets) to trade. The performance for smaller accounts can be negatively impacted by higher trading costs (driven by commission minimums). “High cost” brokerages that clients direct **Ganucheu Capital Management** to use can also have a detrimental effect on returns.

If part of a portfolio is liquidated or withdrawn, the remaining portfolio will usually follow the appropriate equity “model”. Adding or withdrawing funds may therefore require transactions in every position (every stock), which may create meaningful transaction costs. Meaningful transaction costs (both in \$ terms and as a percentage of the transaction) may also be incurred if the dollar value of the portfolio or portfolio addition/withdrawal is small so that transaction “commission minimums” are triggered. (Paragraph repeated from disclosure in the **“OTHER ITEMS RELATED TO EQUITY PORTFOLIO MANAGEMENT”** section on page 8 of this brochure.

Ganucheu Capital Management does not manage a mutual fund (or a portion of a mutual fund), and therefore does not place brokerage through a broker to compensate for sales of a mutual fund managed by **Ganucheu Capital Management**.

Ganucheu Capital Management trades on an agency basis in order to get the best net price for customers. **Ganucheu Capital Management** does not conduct trades on a principal basis and therefore receives no soft dollar credits for principal basis trades.

GANUCHEAU CAPITAL MANAGEMENT – RELATIONSHIP WITH CHARLES SCHWAB

Ganucheu Capital Management, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC/NYSE, to maintain custody of clients’ assets and to effect trades for their accounts. Schwab Institutional provides **Ganucheu Capital Management** with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor’s clients’ account assets are maintained at Schwab Institutional. Schwab Institutional’s services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to **Ganucheu Capital Management** other products and services that benefit **Ganucheu Capital Management** but may not benefit its clients’ accounts. Some of these other products and services assist **Ganucheu Capital Management** in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of **Ganucheu Capital Management’s** fees from its clients’ accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of **Ganucheu Capital Management’s** accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide **Ganucheu Capital Management** with other services intended to help **Ganucheu Capital Management** manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to **Ganucheu Capital Management** by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to **Ganucheu Capital Management**. [The availability to **Ganucheu Capital Management** of the foregoing products and services is not contingent upon **Ganucheu Capital Management** committing to Schwab Institutional any specific amount of business (assets in custody or trading).]

Specifically, **Ganucheu Capital Management** gets discounts on business insurance through AIG and materials from National Regulatory Services related to compliance with Securities and Exchange Commission regulations.

Ganucheu Capital Management also gets access to real time pricing and news wires through Schwab. Without Schwab's pricing service, significant fees may be incurred to obtain real time pricing and news wires.

Principals and/or employees of **Ganucheu Capital Management** do not refer clients to Charles Schwab in order to get or maintain access to these resources and/or discounts.

GANUCHEAU CAPITAL MANAGEMENT – RELATIONSHIP WITH MORGAN STANLEY SMITH BARNEY

Ganucheu Capital Management, Inc. works for several clients of Morgan Stanley Smith Barney. This arrangement does not represent an endorsement of or an opinion regarding **Ganucheu Capital Management**. Assets under this category comprise approximately 5%-10% of the assets under management of **Ganucheu Capital Management**. As the Morgan Stanley Smith Barney related business is a significant part of the assets of **Ganucheu Capital Management**, **Ganucheu Capital Management** may have an incentive to refer business to Morgan Stanley Smith Barney brokers who have business with us.

Item 13 – Review of Accounts

REVIEWS AND REVIEWERS OF ACCOUNTS

REVIEWS: Each account is reviewed at least annually (to ensure that the client's primary objectives are being met). Reviews may occur more frequently based on triggering factors such as changes in portfolio manager preferences, changes in client objectives and/or circumstances, changes in equity market levels, changes in bond market levels (interest rate changes), changes in prices of specific equity or fixed income securities, general economic or political trends, specific bond maturities, among others. **Equity Account** "Models" are reviewed on an ongoing basis (portfolio managers continuously considering purchases and sales). This "monitoring" is informal. The equity portfolios of clients are usually managed in a very similar manner (to a model) except for client restrictions (such as "no tobacco" among others). **Fixed Income Accounts** are usually set up with laddered maturities (but we may allow maturities to remain in cash). We do not frequently trade or actively manage fixed income accounts. Once fixed accounts are set up, they are rarely reviewed or monitored (aside from the annual review). A specific bond maturity, change in client guidelines or significant interest rate movements over time may trigger a review. **Fixed Income Substitute** portfolios of clients are usually managed in a very similar manner to the **Equity Accounts** (to a model) except for client restrictions (such as "no tobacco" among others). The asset allocation in **Balanced Accounts** is reviewed at least annually to see if client guidelines are met (we do not actively manage asset allocations; asset allocation for each "balanced" account is based on client guidelines driven by income needs, risk tolerance, etc.). If a client's desired asset allocation changes, that would trigger a review as could all of the factors mentioned for equity and fixed income accounts.

REVIEWERS: All accounts are reviewed by one of the firm's principals. There are approximately 135 "accounts". There are more accounts on our accounting system than client "relationships" because each client may have more than one account (equity/cash, fixed/cash, fixed substitute/cash). Additionally, "balanced" accounts are split into an equity account and a fixed account on our accounting system (each with their respective cash allocations).

NATURE AND FREQUENCY OF REGULAR REPORTS TO CLIENTS

All clients will receive a written **QUARTERLY STATUS REPORT** that will contain the following information: an appraisal of the market value of the portfolio, year-to-date realized gains and losses (for taxable accounts), a year-to-date transaction history (which shows purchases and sales of securities, bond maturities, security reorganizations, interest, dividends, expenses, deposits and withdrawals of cash and securities from the account, and all other

possible transactions), a performance history report for the total account (versus relevant indices) for the quarter and year-to-date periods. The performance reports may be omitted for new accounts in the process of being set up. Additional reports (or reports mentioned above for differing periods) will be furnished upon request.

Market values will reflect current, fair and accurate market valuations. **Ganucheu Capital Management, Inc.** uses recognized and independent pricing sources for timely valuation information.

Item 14 – Client Referrals and Other Compensation

Ganucheu Capital Management, Inc. does not have any arrangements, oral or in writing, where it directly or indirectly compensates any person for client referrals.

ARRANGEMENTS WHERE WE RECEIVE SOME ECONOMIC BENEFIT (INCLUDING COMMISSIONS, EQUIPMENT OR NON-RESEARCH SERVICES) FROM A NON-CLIENT IN CONNECTION WITH GIVING ADVICE TO CLIENTS

CHARLES SCHWAB: We receive discounts on several services because of our affiliation with Charles Schwab. **Ganucheu Capital Management** also gets access to real time pricing and news wires through Schwab. Please see the details regarding our relationship with Charles Schwab in the response to **“GANUCHEAU CAPITAL MANAGEMENT – RELATIONSHIP WITH CHARLES SCHWAB”** section on page 19 of this brochure.

OTHER BROKERS/CUSTODIANS: We may receive products and services to aid us in managing and administering client accounts (operations-related support) from brokers to service their (and our) clients in the due course of business. This could be considered economic benefit. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of **Ganucheu Capital Management Inc.’s** fees from its clients’ accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of **Ganucheu Capital Management’s** accounts, including accounts not maintained at the particular broker/custodian that provides these products and services.

SOFT DOLLARS/SERVICES/“MIXED USE”: **Ganucheu Capital Management** may trade with a “soft dollar” broker for purposes of gaining access to research. Soft Dollars are used exclusively for research. However, in unusual instances, **Ganucheu Capital Management** may receive from broker-dealers’ products or services that are used both for investment research and for administrative, marketing, or other non-research purposes (“mixed-use”). This has not happened recently and we do not expect it to happen in foreseeable the future. However, if such instances should arise, **Ganucheu Capital Management** would make a good faith effort to determine the percentage of such products or services which may be considered as investment research, and the portions of the costs attributable to non-research usage of such products or services would be paid by **Ganucheu Capital Management** to the broker dealer in cash. Please see details in the **“SOFT DOLLAR BROKER / RESEARCH”** section on page 16 of this brochure.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. **Ganucheu Capital Management, Inc.** urges you to carefully

review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

CONDITIONS FOR MANAGING ACCOUNTS

Clients must sign a contract with **Ganucheau Capital Management, Inc.** for investment advisory services. The client contract may be cancelled at any time, by either party, for any reason upon receipt of 30 days written notice. The client may terminate the contract (without advance written notice) within 5 business days after entering into the contract without penalty (and without pro-rata fees).

The minimum account size for our services is \$100,000.

Under certain circumstances, fees and account minimums may be negotiable (at the discretion of **Ganucheau Capital Management, Inc.**).

(Please refer to “**Item 5 – Fees and Compensation**” on page 3 of this brochure for additional detail on the fee schedule.)

Clients should only grant **Ganucheau Capital Management** investment authority over funds that are ready to be invested unless otherwise specifically stated in writing and agreed upon by client and manager.

Some clients may place certain restrictions on us (no tobacco, call first for approval of transactions, etc.). We usually manage these “non-discretionary” accounts in generally the same manner as “discretionary” accounts (to a model portfolio) while adhering to any restrictions in place.

Managers may decline to work for accounts with client imposed restrictions.

LIMITATIONS ON “AUTHORITY” OR DISCRETION

For “discretionary” clients, **Ganucheau Capital Management, Inc.** requests that it be provided with written authority to determine which securities are bought or sold and the amount thereof, the discretionary authority to select the broker or dealer and the commission rates paid. In this written authority statement, all limitations on the discretionary authority, if any, shall be defined.

Limitations that make an account “non-discretionary” include: a client may not want us to buy tobacco stocks, or may not want us to buy “sin” stocks (Tobacco, Alcohol, etc.), or may not allow us to buy stocks below a certain Standard & Poor's common stock ranking (or bonds below a certain credit rating), or stocks below a certain market capitalization, among others. Some clients do not want specific stocks to be sold (very low cost basis holding in a taxable account, sentimental holding, etc.). Some clients require us to contact (call) them first and receive approval in the event of proposed transactions. These “call first” clients may not receive best execution or volume discounts on trades. They may not be aggregated with other accounts, so they may not get the benefit of a block trade, which may be less expensive (volume discounts) or better executed. Additionally, they may miss a trade altogether if the security moves outside of our acceptable price range before we receive approval from them.

These (or any) restrictions that limit discretion may impact performance (positively or negatively).

If there is a client restriction, the account may not be included in performance composites (depending on the severity of the restriction).
Managers may decline to work for accounts with client imposed restrictions.

Item 17 – Voting *Client* Securities

PROXY VOTING & DISCLOSURE

Ganucheu Capital Management, Inc., as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities (if the client grants this authority to **Ganucheu Capital Management**). These proxies are voted with the best economic interest of the client. Summary procedure points are as follows:

- **Voting procedures:** Proxies are collected, Jenna L. McGill identifies client holdings with the proxies, collects any additional information and gives the proxies (and additional information) to Frank P. Ganucheu, CFA (the principal who determines how the proxy is voted). Jenna L. McGill then votes the proxy (usually through an online interface and rarely by mailing the proxy in).
- **Voting guidelines:** Frank P. Ganucheu, in the absence of specific voting guidelines from the client, votes the proxy in the best interest of the client in his opinion. Barring unique significant client circumstances, all proxies are voted the same for each issue. **Ganucheu Capital Management** will determine if there are any conflict of interest issues and determine if they are material.
- **Recordkeeping:** Jenna L. McGill keeps proxy records such as the proxy statement, a record of the vote, and any additional related information/documents.

The Client may request information regarding how **Ganucheu Capital Management** voted a particular proxy.

A copy of the **Ganucheu Capital Management** Policies & Procedures for Proxy Voting is also available upon request.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about **Ganucheu Capital Management, Inc.’s** financial condition. **Ganucheu Capital Management, Inc.** has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.