

**FIRM BROCHURE**  
(Part 2A of Form ADV)

**March 28, 2013**

**Vanguard Capital**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Vanguard Capital. If you have any questions about the contents of this Brochure, please contact us at (858) 455-5070. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Vanguard Capital is registered as an investment adviser with Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Vanguard Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 1: COVER PAGE**

Please refer to previous page.

## **ITEM 2: MATERIAL CHANGES**

This Brochure dated March 28, 2013 is a new document prepared in accordance with the new requirements and rules adopted by the United States Securities and Exchange Commission (“SEC”). Previously, investment advisers provided clients and prospective clients with a copy of Form ADV Part II, which was in a “check-the-box” format with certain narrative explanations included on Schedule F. The SEC adopted revisions to Form ADV, which require investment advisers to provide narrative, plain English disclosures regarding their advisory business in order to provide clients and prospective clients with more meaningful information about the adviser and its business practices. Accordingly, this Brochure is materially different in structure and requires certain new information that the previous brochure did not require. Our previous version of Form ADV Part II was dated October 22, 2010.

Because of the amount of new details provided within the brochure, Vanguard Capital encourages each client to read brochure carefully and to call us with any questions you may have. In particular, please note the following items contain new additions to this Part 2:

**Item 4 - Advisory Business**

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

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

**Item 9 - Disciplinary Information**

**Item 10 - Other Financial Industry Activities and Affiliations**

**Item 15 - Custody**

Pursuant to new SEC Rules, Vanguard Capital will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Vanguard Capital’s fiscal year. Additionally, as the firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

Additional information about Vanguard Capital and our investment adviser representatives is also available on the SEC’s website at [www.adviserinfo.se.gov](http://www.adviserinfo.se.gov).

### ITEM 3: TABLE OF CONTENTS

<u>Item Number</u>	<u>Page</u>
ITEM 1: COVER PAGE.....	2
ITEM 2: MATERIAL CHANGES.....	2
ITEM 3: TABLE OF CONTENTS.....	2
ITEM 4: ADVISORY BUSINESS .....	2
ITEM 5: FEES AND COMPENSATION .....	5
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7: TYPES OF CLIENTS.....	7
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
ITEM 9: DISCIPLINARY INFORMATION .....	12
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	14
ITEM 12: BROKERAGE PRACTICES .....	15
ITEM 13: REVIEW OF ACCOUNTS.....	16
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	17
ITEM 15: CUSTODY.....	18
ITEM 16: INVESTMENT DISCRETION.....	18
ITEM 17: VOTING CLIENT SECURITIES .....	19
ITEM 18: FINANCIAL INFORMATION.....	19

## **Item 4: Advisory Business**

### **Description of Firm**

Vanguard Capital (“VC”) is a San Diego, California based investment management firm dually registered as a broker-dealer and founded in 2001. VC provides customized independent, objective advice regarding asset management for individuals, including high net-worth individuals, endowments, pension and profit sharing plans, and corporate entities on both a discretionary and non-discretionary basis.

VC is currently registered with the Securities and Exchange Commission as an investment adviser. The Firm conducts business in California, Arizona, Florida, Maryland and Utah. VC is 100% owned by Gregory Serras who also serves as the CEO and President.

### **Types of Advisory Services Offered**

VC seeks to add value through tactical asset allocation and careful investments. VC provides advisory services of portfolio management, pension consulting and depending on the client’s needs or objectives, VC may recommend the services of an independent third-party adviser to manage all or a portion of a client’s discretionary account.

VC provides investment advice on equity securities, warrants, corporate bonds, mutual funds, exchange traded funds (“ETFs”), fixed income instruments, cash and other securities, including REITS. In addition, from time to time VC may recommend the services of an independent third-party adviser to manage a portion of their portfolio. Clients should be aware that due to the volatile nature of these types of securities, the client’s account value may fluctuate and at any point in time be worth more or less than the amount originally invested.

### **Advisory Agreements**

Prior to engaging VC to provide the investment management services described in this brochure, each client will be required to enter into a written investment management agreement with VC setting forth the terms and conditions under which VC shall render its services, including the type and amount of fees payable to VC. In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), VC will provide a brochure and one or more brochure supplements to each client or prospective client prior to or contemporaneously with the execution of an investment management agreement.

The advisory relationship will continue in effect until terminated by either party pursuant to the terms of the agreement between VC and the client. The Firm’s annual fee shall be prorated through the date of termination and any remaining balance shall be charged to the client, as appropriate, in a timely manner. Neither VC nor the client may assign the agreement without the

consent of the other party. Transactions that do not result in a change of actual control or management of shall not be considered an assignment.

Clients may terminate their agreement with VC within five business days of the date of execution of the agreement without penalty or charge of fees. After five business days, clients may terminate their agreement in accordance with the terms of the written agreement with VC.

#### **Assets Under Management as of December 31, 2012**

Type of Account	Assets Under Management ("AUM")
Discretionary	\$60,128,000.00
Non-Discretionary	\$58,304,610.00
Total:	<b>\$118,432,000.00</b>

#### **ITEM 5: FEES AND COMPENSATION**

Advisory fees are negotiable and arrangements with any particular client may differ. VC may in its sole discretion reduce or waive management fees for friends and family members of the firm and may amend its standard fee schedule at any time. The annual advisory fees shall be paid at the end of each calendar quarter, computed on the value of the last day of the previous quarter. The advisory fee for the initial quarter shall be calculated on a pro rata basis commencing on the day a client's assets are initially designated to VC for management by execution of a written client agreement.

If assets are deposited into or removed from an account after the inception of a quarter that exceeds \$100,000, the advisory fee payable with respect to the account assets added or removed during the quarter will be prorated. Clients may withdraw assets from their account after providing VC with notice. All withdrawals are subject to customary custodial procedures.

VC's current standard fee for discretionary accounts is as follows:

2.0% of assets managed up to \$1,000,000.00

0.75% for the 2<sup>nd</sup> \$1,000,000.00

0.60% for the next \$3,000,000.00

0.50% for the next \$4,000,000.00

0.30% on the balance.

VC's current standard annual fee for non-discretionary 401(k) accounts is as follows:

1.60% first \$2,500,000.00 of plan assets

0.30% next \$2,500,000.00 of plan assets

0.15% next \$2,500,000.00 of plan assets

Annual advisory fee for 401(k) non- discretionary accounts are capped when assets reach \$25,000,000 is 1.75%.

Upon termination of an account, all advisory fees due will be prorated to date of termination.

All fees paid to VC for advisory services provided to clients are separate and distinct from the fees and expenses charged by third parties. These separate fees and expenses include, but are not limited to, custodial fees, execution costs, and mutual fund fees and expenses. Client assets also may be subject to transaction fees, brokerage fees and commissions, retirement plan administration fees (if applicable), trustee fees, deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For mutual funds and exchange traded funds, a client may be charged internal management fees, distribution fees, redemption fees and other expenses, which are fully described in the applicable fund's prospectus. Notably, VC will not receive any portion of these other fees and expenses.

Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services may be available from other investment advisory or financial planning firms.

### **Important Considerations**

In accordance with Rule 204-3 under the Investment Advisers Act, VC will provide a current copy of Form ADV Part 2A and relevant brochure supplements to each client or prospective client prior to or as the same time as the execution of a written agreement with VC. Clients are to receive a copy of VC's Form ADV Part 2A prior to or at the time of executing an agreement with VC. Neither VC nor the client may assign the written agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of VC shall not be considered an assignment.

Certain representatives of VC, in their individual capacities, are also registered representatives of Vanguard Capital, a securities broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). In this capacity, these individuals may transact in various types of securities or investment products and may receive separate and typical compensation for doing so.

Clients may implement securities transactions through VC's investment adviser representatives, in their respective individual capacities as registered representatives of VC. These individuals may receive commissions or fees for the sale of securities purchased for a client's advisory account. In addition, certain VC representatives (as applicable), may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

### **Conflicts of Interest**

Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. Nevertheless, to the extent that a VC representative recommends the purchase

of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative may have an incentive to make recommendations based on the compensation received rather than on a client's needs.

VC has also adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of VC's fiduciary duty to clients, VC and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

VC does not charge performance-based fees (*i.e.*, fees calculated are based on a share of capital gains on or capital appreciation of the client's assets or any portion of the client's assets). Consequently, VC does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, VC provides its services based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style (*e.g.*, moderately aggressive) may not be managed the same way due to the client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

## **ITEM 7: TYPES OF CLIENTS**

VC provides independent, objective advice regarding asset management, retirement planning and pension consulting for individuals, including high net-worth individuals, endowments, pension plans and profit sharing plans, and corporate entities.

Generally, a minimum of \$100,000 is required to open and maintain a discretionary portfolio management account. This requirement may be waived, at VC's sole discretion

There may be times when certain restrictions are placed by a client, which prevents VC from accepting or continuing to manage the portfolio management account. VC reserves the right to not accept and/or terminate management of a client's account if it feels that the client imposed restrictions would limit or prevent it from meeting and/or maintaining its overall investment strategy.

### **Services to 401(k) Plans**

VC provides non-discretionary advisory services to 401(k) Plans, which may include, depending on the needs of the 401(k) Plan client, recommending selection and removal of investment options for plans to offer to participants, ongoing monitoring of a plan's investment options, assisting plan fiduciaries in creating, monitoring and updating the plan's written investment

policy statements, working with plan service providers, providing quarterly reports to plan fiduciaries, and providing general investment education and asset allocation assistance to plan participants.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

#### ***Discretionary Accounts***

For our discretionary clients, Vanguard Capital generally evaluates 3 factors; risk, cash flows and future value. We try to answer the question on behalf of our clients as to “Which stocks do we wish our clients to own over the next 5 years?” We identify those attributes a company must have to survive and thrive over the near unknown future.

We strive to identify those companies that have ample cash on hand as well as access to needed funds for the future from the capital markets. We identify who will compete effectively in Global Markets and whether they are technological leaders in their industry. We ascertain whether they have been innovative in the past and quick to refocus their efforts if called for by circumstances to answer the question “Do they adapt?”

#### ***401K Plans***

Vanguard Capital utilizes a specialized approach to manage fiduciary risk of client retirement 401K programs. We analyze our client’s current plan to gather information needed to measure the competitiveness from an administrative, investment and fee perspective. This analysis becomes the foundation for establishing a prudently documented, due-diligence process plan fiduciaries can follow to assure compliance with ERISA regulations. Vanguard Capital management will assist in benchmarking our clients plan against peers to identify strengths and weaknesses of the current retirement plan. Retirement plans are measured for results and the ability of employees to retire successfully.

Retirement Plan Services Include:

- Investment Fiduciary Risk Management
- Investment Policy Statement
- Participant Education and Communication Policy Statements
- Plan Administration, Compliance and Legislative Support



## **Investment Strategies**

### ***Discretionary Accounts***

For our discretionary clients Vanguard Capital Management uses a bottoms-up approach to investing and overlooks broad sectors and industries as well as economic conditions. We focus on selecting individual stocks based on the attributes of the particular company. Simply speaking, we seek strong companies with good prospects regardless of industry strength or macroeconomic factors. Based on our client's investment objective, we may look for future earnings or potential dividend growth. We endeavor to diversify among 10-15 individual securities with no security representing more than 10% of a client's portfolio. We will overweight a particular industrial sector if we feel the industry will experience unusual growth and conversely underweight those industries and sectors we feel will experience contractions. This strategy is implemented while adhering to the varied investment objectives and risk tolerance of our clients.

For those clients who are income oriented, Vanguard Capital will focus on common and preferred stocks and Master Limited Partnerships that have been strong dividend payers. For those clients who qualify we will write covered calls on securities positions.

### ***401K Plans***

## **Research**

Vanguard Capital Management works with teams of experienced analysts who are associates with our asset custodians and other Registered Investment Advisors who gather in-depth information on markets and companies around the globe.

## **Long-Term Growth**

We endeavor to position our clients for long-term growth opportunities at a minimum of 5-10 years. Steady growth while avoiding inherent risk is our primary objective.

## **Fundamental Value**

We strive to determine which investments will provide opportunities in which the fundamental value outweighs the current market assessment.

## **Multiple Perspectives**

As we function in a global marketplace today, we believe in the value of multiple perspectives. The assets and investment choices are divided among a number of portfolio managers. The managers make independent investment decisions and manage their positions as though they were separate funds.

## Risk of Loss

VC's investment recommendations are subject to various markets, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that a client's investment objectives will be obtained and no inference to the contrary is being made.

The primary risks involved in the securities recommended by VC may include, among others:

- *Stock market risk*, which is the chance that stock prices overall, will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks may not increase in price, may not issue the anticipated stock dividends, or may decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in

emerging markets are generally more volatile than investments in developed foreign markets.

- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. Similarly, the income from bonds or other debt instruments may decline because of falling interest rates.
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Short sale risk*, which is the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, resulting in a loss.
- *Options risk*, which is the risk that options may be subject to greater fluctuations in value than an investment in the underlying securities. Options and other derivatives may be subject to counterparty risk and may also be illiquid and more difficult to value. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- *Leverage/Margin risk*, which is the risk that the use of borrowed capital, such as margin, to increase the potential return of an investment may increase the risk of an investment and can magnify the effect of any losses. The use of leverage is a speculative technique and may not be suitable for all investors. Using borrowed money (whether through trading on margin or any other method of borrowing) to finance the purchase of securities involves interest charges and entails greater risk than using cash resources only.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by VC may not produce the desired results and that legislative, regulatory, or tax developments, may affect the investment techniques available to VC. There is no guarantee that a client's investment objectives will be achieved.
- *REITs risk*, which is the risk that may be associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increase in property taxes

and operating expenses and variations in rental income. REITs are also subject to interest rate risks. When interest rates decline, the value of a REIT's investment in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT's investment in fixed-rate obligations can be expected to decline.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Consequently, the value of an account may at anytime be worth more or less than the amount invested. VC typically invests for the long-term and does not engage in high frequency trading. Such frequent trading may result in increased brokerage and other transaction costs.

VC does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as VC are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of VC or the integrity of its management. VC as a registered investment adviser does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item. However, VC as a registered broker-dealer does have disciplinary events to disclose. In the spirit of full disclosure the following is presented.

1. In July 2001, VC, as the registered broker-dealer received notice from the Financial Industry Regulatory Authority ("FINRA") (formerly NASD) that their OTC equity trader had failed to satisfy his regulatory continuing education requirement and continued to trade while deemed inactive. A monetary fine of \$2,500 was paid in May 2001 and accepted by FINRA. No further action was taken.
2. In January 2004, VC, as the registered broker-dealer submitted to arbitration proceedings upon notice from the Financial Industry Regulatory Authority ("FINRA") (formerly NASD) regarding a dispute filed on behalf of a former VC client claiming, among other items, breach of contract, negligence, breach of fiduciary duty and fraudulent activity. The sum of relief requested by the Claimant in this matter was \$505,400.00. The FINRA panel issued an award to the Claimant in the amount of \$375.00 against VC. No further action was taken.
3. In May 2004, VC, as the registered broker-dealer submitted to arbitration proceedings upon notice from the Financial Industry Regulatory Authority ("FINRA") (formerly NASD) regarding a dispute filed on behalf of a former VC client claiming failure to supervise, negligence, breach of fiduciary duty and misrepresentation. The sum of relief requested by the Claim in this matter was \$1,531,497.10. The FINRA panel issued an award to the Claimant in the amount of \$147,900 against VC. No further action was taken.

4. In February 2006, VC, as the registered broker-dealer reported their corporate debt transactions to the Trade Reporting and Compliance Engine (“TRACE”) for which the firm, acting in a principal capacity, incorrectly reported a commission charge. Without admitting or denying the allegation, VC consented to the sanction and to the entry of findings. A monetary fine of \$5,000 was paid. No further action was taken.
5. In August 2006, VC, as a registered broker-dealer failed to establish and maintain a system reasonably designed to supervise the activities of its Registered Representatives and to appropriately maintain a Registered Principal in a remote branch location. Without admitting or denying the allegation, VC consented to the sanctions and to the entry of findings. A monetary fine of \$20,000 was paid. No further action was taken.

These items are fully disclosed in VC’s Form BD and Form ADV Part 1. Further details can be found at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) and [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you do not have access to the internet, you may call our office at (858) 455-5070 to request a copy.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Financial Industry Activities**

Certain VC associates may provide clients with advisory services and/or brokerage services, depending on the types of products and/or services requested by its clients.

VC has various relationships with independent contractors (hereinafter, “associated persons”) who may have one or more of the following roles: investment advisory representative or registered representative. In these various roles and pursuant to client instructions and/or agreements, VC associated persons may provide services or offer products for separate and typical compensation. For example, Vanguard Capital associated persons may receive ongoing servicing fees, which are paid by certain mutual funds and are based on client assets that are invested in such mutual funds. Importantly, VC clients are not obligated to use the products or services offered by such associated persons. Nevertheless, such compensation arrangements create an incentive for the associated person to make such investments, which in turn creates a conflict of interest between the interests of the associated person and those of VC’s advisory clients. While investments for advisory client accounts are made solely based on each client’s suitability, investment objectives and risk tolerance, clients should be aware of all related conflicts.

### **Affiliations**

VC is dully registered as an investment adviser and a registered broker-dealer. VC is also an independent broker registered with the Commodities Futures Trading Commission (“CFTC”).

## **Recommendations of Other Advisers**

Dependent upon a client's needs or objectives, VC may recommend the services of an independent Third-Party Adviser ("TPA") to manage all or a portion of a client's discretionary account.

The TPA shall have limited power-of-attorney and trading authority over the assets we direct to them for management and they shall be authorized to buy, sell, and trade in securities in accordance with the client's investment objectives as communicated by VC.

VC conducts due diligence on a TPA prior to selection or recommendation to a discretionary client. Among other things, VC reviews the TPA's corporate management team, portfolio strategies and historic performance track record to help ensure that the TPA's style of management is aligned with the client's overall investment objectives and long-term goals. Generally, VC or the client may terminate the investment management arrangement with the TPA at any time. Clients are encouraged to review the TPA's Form ADV Part 2 upon delivery for important information relating to the TPA's professionals, services and associated advisory fees.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Description of Code of Ethics**

The Investment Advisers Act of 1940 imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. VC's clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Our fiduciary duty compels all associates to act with integrity in all of our dealings. This fiduciary duty is the core principle underlying the Code of Ethics and represents the expected basis of all our dealings with our clients.

Because VC's investment professionals may transact in the same securities for their personal accounts as they may buy or sell for client accounts, it is important to mitigate potential conflicts of interest. To that end, VC has adopted personal securities transaction policies in the form of a Code of Ethics ("Code"), which all VC associated persons must follow. This Code provides such personnel with guidance in their ethical obligations regarding their personal securities transactions and fiduciary duties formulating the basis of all of our client dealings. Specifically, the Code requires certain personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. VC will provide a copy of the Code to any client or prospective client upon written request.

VC obtains information from a wide variety of publicly available resources. VC and its personnel do not have, nor claim to have, insider or private knowledge. To ensure insider trading does not take place and to address the conflict of interest regarding obtaining confidential information, VC has adopted a firm wide policy statement outlining insider-trading compliance by VC and its associated persons. This statement has been distributed to all associated persons of VC and has been signed and dated by each such person. Personal securities transactions must be conducted consistent with the Code and the Firm's Insider Trading Policies and Procedures in a manner that avoids any actual or potential conflicts of interest.

## **ITEM 12: BROKERAGE PRACTICES**

### **Selection Criteria**

For accounts where VC has discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate, it is the policy and practice of VC to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In selecting a broker, dealer or other intermediary, VC will consider such factors that in good faith and judgment it deems reasonable under the circumstances.

VC may recommend that its clients utilize VC, the broker-dealer, as executing broker and may recommend a qualified custodian, such as Pershing LLC or Charles Schwab (among others), to serve as the custodian for clients' accounts.

Factors considered by VC in recommending a broker-dealer or a custodian are based upon, but not limited to, the reasonableness of fees and/or commissions, product availability, research and other services available to both the client and VC.

### **Soft Dollars**

Except for the indirect benefits that VC may receive from the custodian broker, which may be deemed to fall outside the safe harbor of Section 28(e) of the Exchange Act ("Section 28(e)"), VC's general policy is to comply with the provisions of Section 28(e) when entering into soft dollar arrangements. Section 28(e) generally allows investment advisers to use client commissions to pay for certain brokerage and research services under certain circumstances without breaching their fiduciary duties to clients (known as "soft dollars"). Brokerage and research services may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis and performance analysis. Such research services can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and attending conferences. The research services provided by a broker may be

proprietary and/or provided by a third party (*i.e.*, originates from a party independent from the broker provided the execution services).

Subject to Section 28(e), brokerage commissions may be paid in excess of that which another broker might have charged for effecting the same transaction, so long as an adviser makes a good faith determination that the amount of commission charged is reasonable in relation to the value of the brokerage and research services received, viewed in terms of either the specific transactions or an advisers overall responsibility to the accounts for which it exercised investment discretion.

Research services provided by brokers may be used by advisers in servicing any or all of the adviser's clients, and may be used in connection with clients other than those making the payment of commissions, as permitted by Section 28(e). In addition, the receipt of research services may be deemed to be the receipt of an economic benefit to an adviser, and although customary, may be deemed to create a conflict of interest between an adviser and its clients.

Currently, VC does not have any soft dollar arrangements in place. VC will amend this Form ADV Part 2 should it enter into any such arrangements.

### **Order Aggregation**

A purchase or sale may be affected in particular securities on behalf of more than one client on the same day or at the same time. It is VC's intent that each account in an aggregated order will participate at the average share price with all transaction costs shared on a pro-rata basis.

### **Commissions and Other Compensation**

VC's associated persons may be dually registered as registered representatives of VC and may earn commissions, ongoing servicing fees and advisory fees from the same customer, but never in the same account.

### **Handling Trade Errors**

Errors created in a managed account must be corrected so as not to harm any client. The goal of error correction is to make the client "whole", regardless of the cost to VC. Soft dollar arrangements or the promise of future trade commissions cannot be used to correct errors when placing a trade for a client's account and VC can not correct a trade error made in a client's account by allocating the trade to a different account, unless that account was meant to receive the trade in the first place.

## **ITEM 13: REVIEW OF ACCOUNTS**

Discretionary accounts are generally reviewed daily. The review process is based on a variety of factors, which include but are not limited to: the client's investment objectives, the economic environment, outlook for the securities markets and the merits of the securities in which the account is invested. In addition, a special review of an account may be triggered by one or more



of the following: a change in the client's investment objectives, guidelines and/or financial situation communicated by the client; cash added or withdrawn from the account; purchase or sell of a security in the account; a major change in the market, and; if requested by the client.

Reviews of accounts are usually performed by the portfolio manager of each account. There is no maximum amount of accounts that could be reviewed by the portfolio manager.

For non-discretionary retirement plan clients, the investment options of each plan are generally reviewed quarterly or semi-annually, depending on the needs of the plan client.

Clients receive account statements at least quarterly from their custodian, which includes all holdings, all transactions made and any fees (including management fees) that were deducted from the account, during the statement period.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Compensation for Client Referrals**

VC may, from time to time, enter into agreements with individuals and organizations that refer clients to VC. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to VC by a solicitor, VC may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon VC's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to VC by such clients. Any such fee shall be paid solely from VC's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to VC under such an arrangement will receive a copy of VC's firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and VC and the amount of compensation that will be paid by VC to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of VC's disclosure brochure and the solicitor's written disclosure statement.

### **Other Compensation**

As discussed in Item 12, VC may recommend that its advisory clients use VC as their executing broker and/or may recommend certain qualified custodians (such as Pershing LLC or Charles Schwab, among others) to serve as the custodian or clearing broker for client transactions executed by VC. While there is no direct link between the investment advice given to an advisory client and VC's recommending advisory clients to use the Firm and/or certain qualified custodians, economic benefits are received by VC due to this arrangement. These benefits may include: a dedicated trading desk, an account services manager dedicated to VC accounts, access to a real time order matching system, ability to "block" client trades, electronic download of

trades, balances and positions in the custodian's portfolio management software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), and availability of their proprietary research.

## **ITEM 15: CUSTODY**

VC is deemed to have custody of client funds or securities because the Firm has the authority and ability to debit its fees directly from clients' accounts. All clients are required to establish custodial accounts with a qualified custodian of record. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. These reports list, among other things, the client's holdings, the value of the account as of the last business day of the calendar quarter, all activity in the account over the covered period, and other related information. Clients are urged to carefully review all custodial statements.

Under the Custody Rule, advisers with custody are generally required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. Advisers deemed to have custody solely as a consequence of the authority to debit fees directly from client accounts are not required to obtain an independent verification of those client funds and securities maintained by a qualified custodian. Accordingly, VC is not required, and does not intend, to obtain an independent verification of client assets.

## **ITEM 16: INVESTMENT DISCRETION**

For discretionary accounts, VC has discretionary authority (*i.e.*, without first obtaining client's permission) to determine: (1) the type of securities to be bought and sold; (2) the dollar amounts of the securities to be bought and sold; (3) whether a client's transaction should be combined

with those of other clients and traded as a "block;" (4) the broker-dealers through which transactions will be executed; and (5) the commission rates and/or transactions costs paid to effect the transactions. Client agrees to this upon execution of the client agreement with VC. However, VC's discretionary authority may be subject to certain conditions that are imposed by a client, such as where the client prohibits transactions in securities of a specific company and/or industry in the account, and/or the broker-dealers through which transactions will be executed through.

For non-discretionary accounts, VC will recommend investments to the client for approval prior to implementing the transactions.

For accounts where VC has discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate, it is the policy and practice of VC to strive for the best price and execution that are competitive in relation to the value of the transaction (“best execution”). In selecting a broker, dealer or other intermediary, VC will consider such factors that in good faith and judgment it deems reasonable under the circumstances.

VC may recommend that its clients utilize VC, as executing broker and may recommend a qualified custodian, such as Pershing LLC or Charles Schwab (among others) to serve as the custodian for clients’ accounts.

Factors considered by VC in recommending a broker-dealer or a custodian are based upon, but not limited to, the reasonableness of fees and/or commissions, product availability, research and other services available to both the client and VC.

### **Limited Power of Attorney**

By signing VC’s discretionary investment management agreement, clients authorize VC to exercise full discretionary authority with respect to all transactions involving the client’s account. Pursuant to such agreement, VC is designated as the client’s attorney-in-fact with discretionary authority to effect investment transactions in the client’s account which authorizes VC to give instructions to third parties in furtherance of such authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

It is VC’s policy to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client’s account. The obligation to vote client proxies shall, at all times, rest with the client. VC shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

VC typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients’ accounts.

## **ITEM 18: FINANCIAL INFORMATION**

VC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. VC does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.