

Verizon Investment Management Corp.

Form ADV Part 2A - Disclosure Brochure

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This Brochure provides information about the qualifications and business practices of Verizon Investment Management Corp. (“VIMCO”). If you have any questions about the contents of this Brochure, please contact us at 908-559-2541. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Item 2 – Material Changes

This Brochure serves as an update to VIMCO's brochure dated March 29, 2018 (the "Prior Brochure"). This Brochure contains routine annual updates to the Prior Brochure. VIMCO does not have any material changes to disclose.

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Item 4 – Advisory Business

OVERVIEW OF THE ADVISER

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

ADVISORY SERVICES

VIMCO provides discretionary asset management and asset allocation services and investment monitoring services to Verizon’s: (1) pension trusts, (2) savings trusts, (3) voluntary employees’ beneficiary association (“VEBA”) trusts, (4) charitable foundation and (5) VEBA Partnership N L.P. (“VEBA N”), an investment partnership managed by VIMCO through which certain Verizon VEBA trusts invest in tandem (the clients described in this sentence are sometimes collectively referred to herein as “discretionary clients”). VIMCO may, on behalf of its discretionary clients, directly manage a portfolio of individual securities and/or interests in pooled investment vehicles. Alternatively, VIMCO may allocate asset management of all or any portion of any discretionary client’s assets to third party investment managers. At present, except as otherwise described in this Brochure, VIMCO allocates management of substantially all of its discretionary clients’ assets to third party investment managers.

VIMCO also provides certain investment advisory services to Verizon’s captive insurance company. In this role, VIMCO provides decision support to the captive insurance company’s management on asset liability management, investment strategies, investment managers, portfolio rebalancing, stress testing and other aspects of the captive insurance company’s investment portfolio. VIMCO does not provide discretionary asset management or asset allocation services to the captive insurance company.

Pension plan assets are currently held in two trusts: the Bell Atlantic Master Trust (“BAMT”) and the Western Union International, Inc. Pension Trust (“WUT”). For the pension trusts, VIMCO implements a number of investment strategies that invest in a mix of debt and equity securities, such as common and preferred stocks, corporate bonds, private placements, U.S. government and agency securities, convertible securities (including both convertible stocks and convertible corporate bonds), real estate, natural resources, commodities, derivative instruments, such as swaps, options and futures, currency investments, money market instruments, and interests in hedge funds, private equity funds and operating companies. Substantially all of the assets of the pension trusts are allocated

to third party investment managers that invest in the above-described securities and instruments, including through separately managed accounts, joint ventures and commingled vehicles, such as collective investment trusts, hedge funds, private equity funds, real estate partnerships, real estate investment trusts (“REITs”), limited liability companies and mutual funds. Additionally, VIMCO has engaged a third party investment manager to implement futures trades on behalf of BAMT to aid in maintaining desired market exposures. VIMCO also makes cash management services available to the third party investment managers of BAMT. VIMCO performs, either directly or through a third party sub-advisor, initial and ongoing due diligence with respect to each manager, determines allocations to each manager, including, rebalancing as needed, and monitors manager performance and appraisal reports. VIMCO makes all investment strategy and asset allocation decisions regarding the pension trusts’ portfolios.

Savings plan assets are currently held in two trusts: the Verizon Master Savings Trust (“VMST”) and BAMT. The term “savings trusts” in this document means both VMST and BAMT, but in BAMT’s case, refers solely to savings plan assets held in BAMT, unless the context clearly indicates otherwise. For the savings trusts, VIMCO selects third party investment managers to invest savings plan assets in a mix of debt and equity securities, such as common and preferred stocks, corporate bonds, private placements, U.S. government and agency securities, convertible securities (including both convertible stocks and convertible corporate bonds), real estate, commodities, derivative instruments, such as swaps, options and futures, currency investments and money market instruments. These investments are made through separately managed accounts and commingled vehicles such as collective investment trusts, real estate partnerships, REITs and mutual funds. All of the assets in the savings trusts are allocated to third party investment managers. VIMCO performs, either directly or through a third party sub-advisor, initial and ongoing due diligence with respect to each manager, determines allocations to each manager, including, rebalancing as needed, and monitors manager performance and appraisal reports. VIMCO makes recommendations to the Verizon Employee Benefits Committee with respect to the investment options of the savings plans including, without limitation, recommending that additional investment options be made available to savings plan participants and/or that existing investment options be modified or removed from the savings plans.

Substantially all of the assets in the VEBA trusts are allocated directly, or indirectly through VEBA N, to third party investment managers.

VIMCO is the managing member of a subsidiary limited liability company that serves as general partner to VEBA N, in which two VEBA trusts invest as limited partners. VIMCO, through its engagement of third party investment managers on behalf of VEBA N, implements a range of investment strategies in public return seeking assets similar to those invested in by BAMT.

VIMCO also manages the assets of VEBA trusts that do not invest in VEBA N. The investments of these VEBAs are primarily with fixed income managers or in cash.

For Verizon's charitable foundation, VIMCO has engaged a third party investment manager that manages substantially all of the foundation's assets pursuant to a short term investment strategy.

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

ASSETS UNDER MANAGEMENT

As of December 31, 2018, VIMCO had \$51.43 billion in assets under management. Of that amount, VIMCO manages \$51.02 billion in assets on a discretionary basis and \$0.41 billion in assets on a non-discretionary basis.

Item 5 – Fees and Compensation

REIMBURSEMENT FOR COST OF SERVICES

BAMT and the savings trusts reimburse VIMCO for its actual costs in providing advisory services to those entities except for certain of such costs that are borne by Verizon. Reimbursements are processed monthly for BAMT and monthly for the savings trusts, in arrears, and payment is deducted directly from client assets. These reimbursements are exclusive of brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, third party manager fees and other fees, costs and taxes charged by custodians, investment managers, broker-dealers and other third parties unaffiliated with VIMCO. VIMCO does not receive any portion of such third party fees, commissions and costs. Verizon bears the expense of VIMCO's provision of advisory services to WUT, VEBA N, the VEBA trusts, Verizon's charitable foundation and the captive insurance company. However, these clients are responsible for brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, third party manager fees and other fees, costs and taxes charged by custodians, investment managers, broker-dealers and other third parties unaffiliated with VIMCO. See Item 12 of this Brochure for a further discussion of brokerage practices.

VIMCO makes a short-term investment fund, maintained by BAMT's custodian, available to certain third party managers for cash management purposes. In exchange for this service, those third party managers that manage assets on behalf of BAMT have agreed to reduce the management fees they charge BAMT by an amount equal to 0.08% (eight basis points) per annum of the amount they cause to be invested in the short term investment fund.

INDIRECT FEES AND EXPENSES

Certain clients' assets may be invested in exchange traded funds, hedge funds, private equity funds, collective investment trusts, mutual funds and other pooled investment vehicles. These pooled investment vehicles charge management fees and other expenses to investors therein (either directly or indirectly by deducting payment from investors' interests in the pooled investment vehicle), as disclosed in the offering documents, subscription documentation, investment management agreements and/or financial statements of the particular vehicle. Clients invested in pooled investment vehicles also indirectly bear the underlying costs of the investments made by such vehicles.

ADDITIONAL COMPENSATION

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

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

VIMCO does not charge performance-based fees. Third party investment managers engaged by VIMCO may charge performance-based fees. The term "performance-based fees" refers to fees based on a share of capital gains on, or capital appreciation of, a client's assets. VIMCO does not engage in side-by-side management.

Item 7 – Types of Clients

VIMCO provides discretionary investment management services to: (1) Verizon's pension trusts, savings trusts, VEBA trusts and charitable foundation, and (2) VEBA N, for which a wholly-owned subsidiary of VIMCO serves as the general partner and through which two VEBA trusts invest as limited partners. VIMCO also provides non-discretionary investment advisory services to Verizon's captive insurance company. Each of the pension trusts, savings trusts, VEBA trusts, charitable foundation, VEBA N and the captive insurance company is sometimes referred to herein as a "client" and collectively, as "clients."

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

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

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

INVESTMENT STRATEGY AND ANALYSIS

Pension Trusts Strategy

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

While target allocation percentages will vary over time, the current target allocation for defined benefit plan assets held in BAMT is designed so that 51% of the assets (generally comprised of public equities, private equities, real estate, hedge funds, high yield and emerging debt) have the objective of achieving a return in excess of the growth in liabilities, 47% of the assets are invested as liability hedging assets where cash flows from investments better match projected benefit payments, typically through longer duration fixed income securities, and 2% of the assets are in cash. This asset allocation will shift to a higher proportion of liability hedging assets as BAMT's funded status improves. The target asset allocation is revisited periodically to ensure it is in line with BAMT's objectives. Both active and passive management approaches are used, depending on perceived market efficiencies and various other factors. VIMCO utilizes diversification and risk control processes to avoid significant concentrations of risk, in terms of sector, industry, geography or company names.

WUT holds the assets of a small legacy pension plan acquired in a corporate acquisition by Verizon. The current target allocation for plan assets held in WUT is designed so that 5% of the assets are invested in domestic public equities and 95% of the assets are invested in liability hedging assets (fixed income securities). WUT's target asset allocation reflects its fully funded status. VIMCO utilizes diversification and risk control processes to avoid significant concentrations of risk, in terms of sector, industry, geography or company names.

VEBA N and Verizon VEBA Trusts Strategies

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

The Bell Atlantic Retiree Life Insurance Plan Trust is invested in one fixed income portfolio and cash.

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

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

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

Charitable Foundation Strategy

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

Savings Trusts Strategy

VIMCO advises the Verizon Employee Benefits Committee with respect to the investment options under the savings plans, including, without limitation, making recommendations that additional investment options be made available to savings plan participants and/or that existing investment options be modified or removed from the savings plans. The plans whose assets are held in the savings trusts are participant-directed individual account plans designed to provide eligible employees of Verizon and its affiliates with a convenient way to save for medium-term and long-term savings and retirement needs. The savings plan for management employees offers participants investment options in two distinct tiers: (i) Target Date Funds and (ii) Asset Class Investment Options. The savings plans for employees represented by collective bargaining units offer participants investment options

in three distinct tiers: (i) Balanced Investment Strategy Portfolios that vary investments based upon expected risk and return profiles, (ii) Asset Class Investment Options and (iii) Mutual Fund Investment Options. Each of the options in the various tiers of each plan provides investment options designed to meet specific investment objectives. Other than the Verizon Company Stock Fund, there are no significant concentrations of risk in terms of sector, industry, geography or company names.

Captive Insurance Strategy

The captive insurance company currently pursues an investment strategy designed to immunize expected claim outflows from interest rate risk and ensure that there will be sufficient liquidity to (i) pay liabilities as they come due, (ii) pay significant claims and (iii) allow commutation of insurance liabilities. Assets used to pay claims and support insurance liabilities are invested using a liability hedging approach and, currently, it invests 100% of its assets in U.S. bonds. VIMCO advises the captive insurance company regarding diversification and risk control processes to avoid significant concentrations of risk in terms of sector, industry, geography or company names. Periodically, VIMCO's advice may be requested regarding the realization/avoidance of gains or losses in the portfolio from the perspective of seeking tax efficiency or otherwise in connection with current business needs.

IMPLEMENTATION

Third Party Investment Management

VIMCO engages third party investment managers, as both strategic partners and specialist managers, to implement VIMCO's investment strategies for substantially all of its discretionary clients' assets. Except as otherwise described in this Brochure, VIMCO has engaged third party investment managers to manage substantially all of the assets of the pension trusts, savings trusts, VEBA trusts, VEBA N and Verizon's charitable foundation. VIMCO determines the amount of discretionary client assets allocated to each investment manager. Strategic partnerships with third party managers generally entail deeper relationships, involving multiple portfolios and an asset allocation component. Specialist managers, on the other hand, operate within specific parameters and with well-defined investment mandates. VIMCO either directly, or through a third party sub-advisor, conducts initial and ongoing due diligence reviews of each investment manager. Performance, operational and compliance due diligence reviews of each investment manager are routinely performed and documented. These reviews, along with other factors (*e.g.*, asset allocation targets), provide the basis for VIMCO's decision to retain an investment manager at current status, to increase or decrease the size or allocation of an investment manager's account, or to terminate an investment manager. Item 13 – Review of Accounts contains additional information regarding portfolio reviews.

Specialist Managers: Specialist third party investment managers are used with respect to the pension trusts, savings trusts, VEBA trusts, VEBA N and the charitable foundation. Specialist managers may manage assets in separate accounts and/or through commingled

vehicles. In determining whether to allocate discretionary client assets to a specialist third party investment manager, VIMCO considers the following criteria:

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

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

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

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

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

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

In general, VIMCO seeks to build a diversified portfolio of private assets for BAMT. Focus industries include, but are not limited to, manufacturing, consumer products, communications, financial services, household products, technology, healthcare, food and retail. VIMCO's real estate program for BAMT focuses on retail, multi-family, industrial, office, hotel, senior and student housing assets.

Oversight of Third Party Sub-Advisors

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

VIMCO has appointed the same third party sub-advisor to provide advisory and reporting services to VIMCO in respect of BAMT's hedge fund portfolio. In this role, the sub-advisor is responsible for providing VIMCO with recommendations and due diligence services to aid VIMCO in connection with VIMCO's hiring, monitoring, retention and/or termination of hedge fund managers. The sub-advisor is also responsible for providing VIMCO with monthly, quarterly and annual reporting on BAMT's hedge fund portfolio.

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

Notwithstanding its retention of the third party sub-advisor for the Outsourced Portfolio and BAMT's hedge fund portfolio, VIMCO makes all investment strategy decisions associated with BAMT's private equity and hedge fund investments. New private equity and hedge fund investments are sourced by VIMCO or by the third party sub-advisor subject to VIMCO's approval.

VIMCO has appointed a second third party sub-advisor to serve as investment advisor to oversee BAMT's public market investments. In this role, this sub-advisor is responsible for (i) advising VIMCO with respect to BAMT's entire portfolio of public markets investments (other than BAMT's hedge fund portfolio), including, but not limited to, providing initial and ongoing due diligence services to aid VIMCO in its hiring, monitoring, retention and termination of investment managers, (ii) implementing, through a third-party investment manager engaged by VIMCO, futures trades to aid in maintaining desired market exposures, (iii) managing transitions between terminated and new third party investment managers, (iv) providing operations, monitoring and due diligence services, and (v) assisting VIMCO with preparing management presentations. This sub-advisor also provides VIMCO with capital markets analyses, performance and risk analytics, fee and performance benchmarking, and analyses regarding qualitative investment manager issues. This sub-advisor also performs various administrative functions (*e.g.*, invoice processing and cash flow management) formerly performed by VIMCO. This sub-advisor also directly manages a portion of BAMT's public markets investments on a discretionary basis as a strategic partner.

VIMCO has appointed the second third party sub-advisor to also provide advisory and reporting services to VIMCO in respect of VIMCO's other discretionary clients' portfolios. In this role, the sub-advisor is responsible for providing VIMCO with (i) capital markets analyses, performance and risk analytics on investment options, funds and investment managers, fee and performance benchmarking, total plan cost analyses, and analyses regarding qualitative investment manager issues and defined contribution plan trends, (ii) investment and operational due diligence services, (iii) initial and ongoing due diligence services to aid VIMCO in its hiring, monitoring, retention and termination of specialist managers, and (iv) assistance with preparation of management presentations. The sub-advisor also performs various administrative functions (*e.g.*, invoice processing and cash flow management) formerly performed by VIMCO. The sub-advisor has also been engaged by VIMCO to provide certain investment consulting and analytical services in respect of the captive insurance company's portfolio.

INTERNALLY MANAGED INVESTMENTS

VIMCO itself continues to internally manage the Retained Portfolio and any public residual accounts and assets held on behalf of the pension trusts, the VEBA trusts and VEBA N. These accounts and assets are reviewed on a quarterly basis by VIMCO's valuation committee. To the extent that any public residual asset can be sold, VIMCO engages a transition manager to perform the sale on behalf of the relevant client. VIMCO does not itself actively trade securities on behalf of any client.

INVESTMENT RISKS

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

1. Market Risk

Market risk refers to the risk related to investments in securities in general and the daily fluctuations in the securities markets. A client's investments may be affected by many factors, including, but not limited to, fluctuation in interest rates, the quality of the instruments in the client's investment portfolio, adverse domestic and international economic conditions and general market conditions.

1.1 Equity Market Risk

The value of equity securities can fluctuate — at times dramatically. The prices of equity securities are affected by many factors, including, but not limited to, market conditions, political and other events, and developments affecting the particular issuer or its regional, economic, or industrial sector.

1.2 Interest Rate Risk

Fixed income securities increase and decrease in value based on changes in interest rates. If interest rates increase, the value of fixed income securities will generally decline. Conversely, if interest rates decline, the values of fixed income securities generally increase. Securities with longer maturities tend to produce higher yields, but are more sensitive to changes in interest rates and are subject to greater fluctuations in value.

1.3 Commodity Risk

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

1.4 Leverage and Derivative Risk

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

Leverage comes with greater risk. If an investor uses leverage to make an investment, the gain or loss will be greater than it would have been if leverage had not been used.

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

1.5 Currency Risk

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

1.6 Private Market Risk

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

1.7 Real Estate Risk

Investing in real estate entails a variety of risks, including, but not limited to, possible declines in the value of a property due to a deterioration of general and local economic conditions or overbuilding, a possible lack of availability of financing, changes in interest rates and environmental problems. Property owners may be also liable for accidents or events occurring on real property, even if the accident or event results from unauthorized use. Any event that negatively affects the property would likely have a negative effect on the property owner's investment in the property.

1.8 Asset Liability Risk

Asset liability risk may arise from a mismatch between a pension trust's liabilities (generally a discounted set of projected cash flows which, in the case of the defined benefit plans whose assets are held by such pension trust, describe the plans' future commitments to plan participants whether in the form of annuities or lump sum payments) and its assets which are invested to meet those commitments. There is risk associated with the adoption of an investment policy which attempts to define a long-term strategic asset allocation that optimizes along specific parameters, such as the net present value of future contributions, in order to reduce the burden of interest and service cost upon the plan sponsor, that the pension trust's funded status may deteriorate over time.

1.9 Foreign and Emerging Markets Risk

Investing in foreign securities (including depositary receipts) involves special risks in addition to those of U.S. investments. These risks include political and economic risks, civil

conflicts and war, greater market volatility, expropriation and nationalization risks, currency fluctuations, higher transaction costs, delayed settlement, possible foreign controls on investment, and less stringent investor protection and disclosure standards of foreign markets. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. In certain markets where securities and other instruments are not traded “delivery versus payment,” an investor may not receive timely payment for securities or other instruments it has delivered and may be subject to increased risk that the counterparty will fail to make payments when due or default completely. Events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. For example, the potential departure of one or more other countries from the European Union may have significant political and financial consequences for global markets. The risks associated with foreign securities are magnified in countries in “emerging markets” compared to more mature markets. These countries may have relatively unstable governments and less-established market economies than developed countries. Emerging markets may face greater social, economic, regulatory and political uncertainties. These risks make emerging market securities more volatile and less liquid than securities issued in more developed countries and investors may sustain sudden and sometimes substantial fluctuations in the value of their investments. Investments in foreign and emerging market securities may also be subject to foreign withholding and/or other taxes, which would decrease the yield on those securities.

2. Credit Risk

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

2.1 Counterparty Risk

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

2.2 Structured Credit Product Risk

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

2.3 Corporate Credit Risk

Corporate bonds offer a higher yield compared to some other investments, but for a price. Most corporate bonds are debentures, meaning they are not secured by collateral.

Investors in such bonds must assume not only interest rate risk but also credit risk *i.e.*, the risk that the corporate issuer will default on its debt obligations. This highlights the importance of an investor or investment manager being able to effectively assess credit risk and its potential payoffs. While rising interest rate movements may reduce the value of a client's bond investment, a default may almost eliminate it. Holders of defaulted bonds may recover some of their principal, but often no more than pennies on the dollar.

2.4 High Yield Credit Risk

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

2.5 Sovereign and Agency Credit Risk

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

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

3. Liquidity Risk

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

4. Operations Risk

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

4.1 Management Risk

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

4.2 Model Risk

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

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

4.3 Operational Compliance Risk

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

4.4 Settlement Risk

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

5. Regulatory, Legal and Contractual Risk

5.1 Regulatory Compliance Risk

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

5.2 Legal Risk

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

5.3 Contractual Risk

Contractual risk is the risk associated with the interpretation of contracts, laws, and regulations. Losses may occur from investments with insufficient or improperly structured contracts. In addition, losses may arise from failure in contract performance.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

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

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

As mentioned in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss, VIMCO selects third party investment managers to provide advisory services to its discretionary clients. In selecting the third party investment managers that will serve as strategic partners, VIMCO considers whether the manager is willing to periodically sponsor proprietary research projects with VIMCO and share knowledge, resources, technology, and data. This resource sharing may create a potential conflict of interest for VIMCO. To mitigate the potential conflict, VIMCO has adopted due diligence, monitoring, review and reporting procedures designed to ensure that strategic partners meet performance and compliance benchmarks, regardless of the quantity and quality of the research and other resources provided to VIMCO by them. A similar potential conflict of interest may arise out of VIMCO's use of the third party sub-advisors selected to oversee portions of BAMT's investment portfolio and to provide advisory, due diligence and reporting services with respect to BAMT and VIMCO's other discretionary clients, as described under "Oversight of Third Party Sub-Advisors" in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss. To mitigate the potential conflict, VIMCO has adopted due diligence, monitoring, review and reporting procedures designed to ensure that the sub-advisors meet performance and compliance benchmarks for the investments that they oversee and to assess the quality of the advice and other services that they provide.

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

CODE OF ETHICS AND FIDUCIARY DUTY

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

PERSONAL SECURITIES TRADING

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

Each director, officer and employee of VIMCO who has access to non-public client information or is involved in making securities recommendations for VIMCO's clients or has access to such recommendations is considered to be an "access person" of VIMCO. Because access persons may be in a position to exploit information about client securities transactions or holdings, each access person of VIMCO is required to report to VIMCO's compliance department for himself or herself and his or her immediate family members residing in the same household their (1) personal securities holdings on an annual basis and (2) personal securities transactions on a quarterly basis. Each report is reviewed by VIMCO's compliance department for compliance with the VIMCO's Code of Conduct.

Access persons of VIMCO directly involved in managing discretionary client assets may trade in "securities" (as defined in VIMCO's Code of Conduct) only after obtaining pre-clearance from VIMCO's compliance department for themselves and any immediate family members residing in the same household. VIMCO considers it inconsistent with its obligations to its clients to permit VIMCO personnel to participate in private placements in which any VIMCO clients invest, or where VIMCO may possess material non-public information regarding the issuer.

In addition, no VIMCO employee with primary responsibility for selecting and monitoring the performance of third party investment managers may, for his or her personal account, acquire or hold equity securities of such third party investment managers, nor may the VIMCO employee enter into transactions with such third party investment managers except on terms available to the general public. This rule is designed to prevent conflicts of

interest in the selection and monitoring of third party investment managers by prohibiting VIMCO employees involved in the selection and monitoring processes from receiving or holding what might be or appear to be financial or personal inducements to favor a particular third party investment manager.

CONFIDENTIAL INFORMATION

VIMCO's Code of Conduct includes measures designed to safeguard non-public information concerning VIMCO's clients and their investment portfolios. Under VIMCO's Code of Conduct, access to client information is granted only to those employees with a need to know the information in order to fulfill their job responsibilities to VIMCO. No VIMCO employee may disclose client information to an unaffiliated third party with whom VIMCO does not have an existing contractual relationship without the prior approval of certain members of VIMCO's management.

Item 12 – Brokerage Practices

BROKER SELECTION AND BEST EXECUTION

Each third party investment manager engaged by VIMCO to manage discretionary client assets must undertake to VIMCO that, in selecting brokers with whom to place orders for transactions or the purchase or sale of securities or other assets on behalf of the client, the investment manager's primary objective will be to obtain best execution of brokerage transactions for the client, provided that in making such selection, the investment manager may take into account relevant factors such as price and/or commission and the broker's facilities, reliability, financial responsibility and execution capability. Best execution refers to obtaining the best price available for securities trades, given the timing, type and size of the transaction, with the best speed. VIMCO, through a third party service provider, annually performs a detailed transaction cost analysis review in respect of each third party investment manager. VIMCO reviews the execution documentation and analyses provided by the third party service provider as part of its annual due diligence. VIMCO or the service provider will address with each investment manager, as applicable, identified issues relating to speed, quality and cost of execution. All findings and issues follow-up will be documented by either VIMCO or the service provider. In addition, each third party investment manager is required to provide a copy of its best execution practices and procedures to VIMCO annually.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

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

CLIENT DIRECTED BROKERAGE

VIMCO's investment managers incur brokerage costs through purchases and sales of equity securities. As fiduciaries, investment managers are responsible for achieving best execution on all trades.

VIMCO has informed its investment managers that each of BAMT and VMST has entered into an agreement with a participating broker and/or correspondent brokers to recapture a mutually agreed upon percentage of brokerage costs incurred in executing securities trades through those brokers. VIMCO's investment managers will continue to retain complete discretion to select brokers, negotiate commission rates and obtain best execution. VIMCO has requested that each of its investment managers execute a portion of its trades (*i.e.*, a participation rate of up to 25% of total trading) made on behalf of BAMT or VMST, as applicable, through the participating broker network. When it does so, the investment manager will pay the broker its usual negotiated commission rate to execute the trade, but, based upon an agreed in advance rate, a portion of the commissions paid will be rebated back to the account that generated the commission. Trades are frequently reconciled by the participating broker to ensure that the rebates are correct. A commission recapture program enables an employee benefit plan to recover a portion of its brokerage costs from participating brokers, thereby improving overall investment performance of the plan.

Currently, VIMCO delegates responsibility for best execution to its third party investment managers on the theory that the investment managers are best able to integrate their buy and sell investment decisions with the trading function. Further, trading costs, commissions as well as market impacts, reduce investment performance, so managers are highly incentivized to minimize these costs. Because VIMCO is ultimately responsible for best execution, VIMCO monitors its investment managers' efforts to achieve best execution. VIMCO monitors its investment managers' trading costs through the use of a third party service provider.

Item 13 – Review of Accounts

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

Performance reports for the pension trusts, savings trusts, VEBA trusts, VEBA N, the charitable foundation and the captive insurance company are reviewed monthly by VIMCO staff, monthly, quarterly and annually by Verizon's Chief Financial Officer and quarterly by

VIMCO's Board of Directors. Performance reports for WUT are also reviewed quarterly by the WUT Pension Committee. Performance reports for the savings trusts are also reviewed quarterly and annually by the Verizon Employee Benefits Committee or a committee thereof. Performance reports for the charitable foundation are reviewed annually by the Board of Directors of the Verizon Foundation and performance reports for the captive insurance company are reviewed annually by the staff of the captive insurance company.

Item 14 – Client Referrals and Other Compensation

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

Item 15 – Custody

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

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

Item 16 – Investment Discretion

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

over all third party sub-advisors and investment managers engaged on behalf of its discretionary clients.

Item 17 – Voting Client Securities

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

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

Item 18 – Financial Information

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