



FORM ADV DISCLOSURE BROCHURE  
September 20, 2023

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*This brochure describes the services, qualifications and business practices of Valley Wealth Managers, Inc. (f/k/a, Hallmark Capital Management, Inc.), an investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). Please contact us at 888-794-7940 if you have any questions about the contents of this brochure.*

*The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that Valley Wealth Managers, Inc., or any individual providing investment management services on behalf of Valley Wealth Managers, Inc. has a certain level of skill or training. Additional information about Valley Wealth Managers, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**Item 2 – MATERIAL CHANGES**

**Summary of Material Changes**

The following summary discusses the material changes that Valley Wealth Managers, Inc. (“VWM”), f/k/a Hallmark Capital Management, Inc. (“Hallmark”), has made to its Form ADV Part 2A, brochure (“Brochure”) since March 29, 2023, the date of the last annual update to the Brochure.

Summary of Material Changes in Brochure dated September 20, 2023.

In general the brochure was updated to clarify that clients can choose to open a brokerage/custody account at a third-party custodian other than Pershing LLC (“Pershing”).

**Item 7 - Types of Clients**

- Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM’s and Hallmark’s advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

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

- Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM’s and Hallmark’s advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

Summary of Material Changes in Brochure dated July 7, 2023.

The following reflects a summary of the material changes to this Brochure made in the July 7, 2023 update which are superseded by the September 20, 2023 Brochure Updates above, as applicable.

In general, this Brochure was updated to reflect that, in connection with an internal corporate reorganization on June 30, 2023, Hallmark acquired the advisory business of its affiliate, Valley Financial Management, Inc. (“VFM”), and the newly reorganized advisory business was renamed Valley Wealth Managers, Inc. (the “Transaction”). As part of the Transaction, investment adviser representatives (“IARs”) who were previously licensed with VFM’s advisory business were relicensed as IARs with VWM. These IARs are currently also dual-licensed as registered representatives of VFM’s broker-dealer.

This Brochure has been updated throughout to add disclosure regarding the VFM advisory business moving over to Valley Wealth Managers. Legacy Hallmark services are not expected to change as a result of the Transaction. Clients are encouraged to read this Brochure in its entirety.

**Item 4 – Advisory Business**

- As of June 30, the investment strategies formerly provided through Hallmark are rebranded as “The Hallmark Investment Strategies offered by Valley Wealth Managers” (the “Hallmark Investment Strategies”).
- VWM sponsors various discretionary and non-discretionary wrap fee advisory programs (the “Wrap Programs”) for its clients, which were previously offered by the advisory business of VWM’s affiliate, VFM. The Wrap Programs sponsored by VWM include: (1) Valley Strategic Portfolios (VSP), a discretionary advisory program that entails four risk-based and two objective-based models comprised of ETFs and mutual funds as selected by VWM’s investment committee; (2) Separately Managed Accounts (SMAs); (3) Unified Managed Accounts (UMAs); (4) Valley Client Advisor (VCA), a non-discretionary advisory program offering asset-allocation guidance and a range of securities from which to choose; and (5) Valley Excess Liquidity Advisor (VELA), a non-discretionary program for clients seeking increased yields and liquidity through investments in ETFs and mutual funds.
- To assist VWM with the VSP, SMA, UMA, and VCA Wrap Programs, VWM has entered into an agreement with Envestnet Asset Management, Inc. (“Envestnet”), an unaffiliated investment adviser, which provides, among other things, overlay portfolio management services, tax overlay management services, research information on hundreds of different portfolio managers, reporting services, and technological and online services to assist VWM in managing portfolios. The Wrap Programs are described in greater detail in VWM’s Form ADV Part 2A, Appendix 1 brochure (the “Wrap Program Brochure”), which is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request.
- In addition to being available directly through VWM, the Hallmark Investment Strategies are also available through third-party investment managers’ advisory programs and certain of VWM’s Wrap Programs through Envestnet. The cost of investing in the Hallmark Investment Strategies through a Wrap Program may be more than the cost of investing in the Hallmark Strategies through a third-party manager’s advisory program or through VWM directly. To address this conflict of interest, VWM generally does not recommend that its clients invest in the Hallmark Investment Strategies through its Wrap Programs.
- When providing financial planning services, VWM has an incentive to recommend VFM as an insurance agent or broker, or recommend VWM as an investment manager, because VWM or its affiliate will receive more compensation if a financial planning client selects VWM or an affiliate for its services over a third-party.

## Item 5 – Fees and Compensation

### Wrap Programs

- Clients in a Wrap Program agree to pay an annualized, asset-based fee based on the value of assets in the account (“Total Client Fee”). The Total Client Fee for each account includes, as applicable, (1) fees paid to VWM for on-going advice, asset management, and due diligence (“Advisory Fee”), (2) fees paid to platform providers for trading, custody, platform and overlay services, and (3) fees paid to portfolio managers other than VWM (“Manager Fees”). The Total Client Fee for a Wrap Program is generally negotiable.
- The Total Client Fee for a Wrap Program does not include the following: (a) charges for services provided by VWM, its affiliates, or third parties which are outside the scope of the service agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, etc.); (b) any taxes or fees imposed by exchanges or regulatory bodies; (c) brokerage commissions and other transaction-related fees and charges other than those included in a wrap fee; and (d) internal operating expenses on mutual funds, exchange traded funds, or

alternative investments. Each of these additional charges may be separately charged to the client or reflected in the price paid or received for a given security.

- This Item was further updated to reflect VWM's processes for billing fees and issuing refunds under the Wrap Programs.
- To the extent a client account trades fixed income securities, and the account is custodied at Pershing, LLC ("Pershing"), VWM may use the bond trading desk of its affiliate, VFM, to source bonds for such account, and VFM charges a disclosed markup or markdown on the bonds. Accordingly, VWM has an incentive to use VFM over third parties to source bonds for client accounts because doing so will result in VWM's affiliate receiving additional compensation in the form of disclosed markups or markdowns on bonds.
- In addition to base salary, VWM's IARs receive incentive compensation based on the amount of revenue VWM generates from client assets. As a result, VWM's IARs have an incentive to recommend an advisory program or strategy that generates more revenue for VWM than another program or strategy that generates less revenue for VWM.
- Also, the majority of IARs who provide advisory services through VWM also provide other services including brokerage, insurance, and/or banking services through VWM's affiliates. These financial professionals receive more compensation for revenue generated from certain services than they do for the same amount of revenue generated from other services. This creates a conflict of interest whereby financial professionals have a financial incentive to recommend products and services that result in more compensation for the financial professional per dollar of revenue generated for VWM or its affiliates. For example, financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue from brokerage services.

#### Item 7 – Types of Clients

- VWM requires new clients in an equity or fixed income Hallmark Investment Strategy to have a minimum account size of \$500,000. The minimum account size is \$100,000 for a Hallmark Investment Strategy that invests in ETFs. The minimum account size is also \$100,000 for a client that accesses a Hallmark Investment Strategy through Envestnet.
- The Wrap Programs generally require a minimum account size of \$100,000.
- To receive advisory services, VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by, a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM to VFM for servicing these accounts will be provided to an affiliate rather than a third party. Clients that open a brokerage/custody account through VFM are also required to open a bank account with VWM's parent company, Valley National Bank. Clients are not required to maintain a minimum balance in this bank account. Bank deposits held at Valley National Bank and the purchase of bank products and services offered by Valley National Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank. Certain clients are not subject to the requirement to open a brokerage/custody account through VFM or bank account with Valley National Bank, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses.

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

- This Item was updated to describe VWM’s processes for evaluating and monitoring funds and fund managers for Wrap Programs.
- This Item was also updated to enhance disclosure regarding certain risk factors applicable to the strategies offered by VWM.

#### Item 9 – Disciplinary Information

- This Item was updated to reflect that the disciplinary information for VWM's affiliate, VFM, can be found at [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

#### Item 10 – Other Financial Industry Activities and Affiliations

- VWM is affiliated through common ownership and control with Valley Financial Management, Inc., a wholly owned subsidiary of Valley National Bank and a broker-dealer registered with the SEC. Prior to the Transaction, VFM was also registered with the SEC as an investment adviser and certain of VWM’s IARs were previously licensed as IARs with VFM’s former advisory business. In addition, VWM shares the same physical location with VFM.
- Valley National Bank provides loans, securities lending, and other banking services to its customers. If a VWM client receives these services, Valley National Bank is authorized to use the assets in the client’s advisory account with VWM as collateral for certain loans and borrowed securities, to the extent permitted in the client’s agreement(s) with Valley National Bank.

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

- VWM may effect principal or agency cross securities transactions for client advisory accounts.
- When VWM purchases mutual fund shares for clients, it selects share classes that do not pay it service fees (referred to as “12b-1” fees) or other distribution fees (“Trailer Fees”). If a client transfers shares into its account that pay VWM’s affiliate, VFM, Trailer Fees, VFM credits the account with the amount of Trailer Fees it receives.

#### Item 13 – Review of Accounts

- With respect to clients in a Wrap Program, VWM, through its IARs, gathers information from a client about that client’s financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client’s financial situation and investment objectives. Clients should notify their IAR of any changes in their financial situation, risk tolerance, investment objectives, or account restrictions.
- Clients in a Wrap Program receive an account statement at least quarterly from their custodian. Performance reports are available upon request.

#### Item 14 – Client Referrals and Other Compensation

- No person who is not a client provides an economic benefit to VWM for providing advisory services to its clients in the Wrap Programs. VWM does not compensate any person for client referrals to these Wrap Programs.

#### Item 17 – Voting Client Securities

- In the VSP Wrap Program, VWM does not exercise authority to vote proxies and corporate actions on behalf of advisory clients. In the UMA Program, SMA managers within the UMA Program vote on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the SMA Program, the SMA manager votes on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the VCA and VELA Programs, VWM does not have any authority to and does not vote proxies or corporate actions on behalf of advisory clients. In these Programs, the client retains the responsibility for receiving and voting proxies for any and all securities maintained in the client's portfolios. VWM may provide advice to the client regarding the client's voting of proxies and corporate actions.

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## Item 4 – ADVISORY BUSINESS

### A. Our Company

Valley Wealth Managers, Inc., (“VWM”) f/k/a Hallmark Capital Management, Inc. (“Hallmark”), provides investment management and financial planning services to institutional and individual investors. Hallmark began providing investment management services as an SEC-registered investment adviser in 1986 and in 1999 began offering financial planning services. On June 30, 2023, in connection with an internal corporate reorganization, Hallmark acquired the advisory business of its affiliate, Valley Financial Management, Inc. (“VFM”), and the newly reorganized advisory business was renamed Valley Wealth Managers, Inc. VWM is a wholly owned subsidiary of Valley National Bank, a national banking association that provides banking products and commercial and retail financial services. Valley National Bank, in turn, is a wholly owned subsidiary of Valley National Bancorp, a Nasdaq Global Select Market (Nasdaq) listed bank holding company headquartered in Wayne, New Jersey.

### B. Our Advisory Services

VWM offers three types of services: 1) investment management strategies formerly provided through Hallmark, which are now rebranded as “The Hallmark Investment Strategies offered by Valley Wealth Managers” (the “Hallmark Investment Strategies”); 2) financial planning services formerly provided through Hallmark; and 3) wrap fee advisory programs previously provided through the advisory business of VWM’s affiliate, VFM.

#### **Hallmark Investment Strategies**

The Hallmark Investment Strategies include the continuous management and discretionary investment of funds entrusted to VWM by its clients based on the specific needs, objectives, and risk tolerance of each client. Investment goals may include long-term capital appreciation, capital preservation, the generation of current income or any combination thereof.

The investment process begins with an agreement between VWM and each client on guidelines that quantify the client’s risk profile, goals, and objectives. Most importantly, these guidelines include an appropriate percentage, or a permissible range of exposure to equities (common stocks).

Based on these parameters, each client’s portfolio assets are allocated among equities, bonds and cash reserves based on VWM’s assessment of the relative attractiveness of those sectors. The guidelines for any client might result in:

- a “balanced” account invested in a mix of stocks, and bonds, with the remainder in cash reserves.
- an “equity” account invested entirely or largely in common stocks, with the remainder in cash reserves.
- a “fixed-income” account entirely or largely invested in bonds, with the remainder in cash reserves.

Most client portfolios invested in the Hallmark Investment Strategies are comprised of individual stocks and bonds. Mutual funds and exchange-traded funds may be used to achieve exposure to additional investment areas, due to unique client constraints or to address specific

client objectives. Certain VWM clients primarily utilize mutual funds and exchange-traded funds as the main security type in their portfolios. At all times, clients retain individual ownership of all securities.

### **Financial Planning Services**

VWM also offers financial planning services to its clients. These services are comprehensive or modular in their preparation depending on the client's unique goals and needs. Topics included as part of the financial planning services may include, but are not limited to, the following:

- Asset allocation and investment analysis
- Retirement and income planning
- Cash flow analysis and debt management
- Executive planning
- Compensation and benefits analysis
- Insurance and risk management review
- Estate plan analysis and review
- Legacy planning
- Education funding and planning
- Philanthropic planning
- Major changes or life events

VWM will consult with each client to discuss their current financial status, future goals, and attitude towards risk. As applicable, a questionnaire may be supplied to the client to gather the appropriate information. Additional documents may be requested from the client to obtain the needed information to complete the analysis. VWM will then complete a financial analysis and prepare a financial plan that will describe the client's current situation, identify needs and opportunities, and make suggestions designed to help the client achieve stated goals. The financial plan will either be provided to the client in electronic form through a client portal or in written form. VWM will review the financial plan with each client and explain our recommendations.

VWM is available to work with a client throughout the term of the relationship to update information as changes occur in the client's financial situation and to implement the plan. The client is responsible for communicating changes in circumstances to VWM so that it can provide the most accurate advice and counsel possible.

In performing its services, VWM is expressly authorized to rely on the information received from the client or the client's other professionals, written or verbal, and is not required to verify such information. It is the client's responsibility to provide complete and accurate information regarding all aspects of their personal and financial situation. If specifically requested by the client, VWM may suggest other professionals for implementation services; however, the client is under no obligation to engage such services.

While financial analysis may include investment advice concerning mutual funds and securities, it may also include investment advice with respect to products that may or may not constitute "securities" such as life insurance and annuities. The analysis also takes into consideration estate and tax planning issues that may not constitute "investment" advice.

Should a client choose to implement the suggestions contained in the analysis, VWM often suggests that the client work closely with an attorney, accountant, insurance agent, broker (which could include VFM) and/or investment manager (which could include VWM). VWM has an incentive to recommend VFM as an insurance agent or broker, or recommend VWM as an investment manager, because VWM or its affiliate will receive more compensation if a financial planning client selects VWM or an affiliate for its services over a third party. Financial analysis suggestions are not limited to any specific product or service offered by a broker-dealer or insurance company. Hallmark is available to assist with the implementation of the plan and to answer any client questions, but the client is responsible for the implementation or rejection of our recommendations. This means clients are never obligated or required to implement our recommendations.

### **Wrap Fee Programs**

VWM sponsors various discretionary and non-discretionary wrap fee advisory programs (the "Wrap Programs") for its clients, which were previously offered by the advisory business of VWM's affiliate, VFM. The Wrap Programs sponsored by VWM include: (1) Valley Strategic Portfolios (VSP), a discretionary advisory program that entails four risk-based and two objective-based models comprised of ETFs and mutual funds as selected by VWM's investment committee; (2) Separately Managed Accounts (SMAs); (3) Unified Managed Accounts (UMAs); (4) Valley Client Advisor (VCA), a non-discretionary advisory program offering asset-allocation guidance and a range of securities from which to choose; and (5) Valley Excess Liquidity Advisor (VELA), a non-discretionary program for clients seeking increased yields and liquidity through investments in ETFs and mutual funds. Depending on the program, clients can select various portfolio managers, mutual funds, exchange-traded products, and individual securities, based on strategies from capital preservation to aggressive growth.

A wrap fee arrangement is one in which a single fee is charged based on the market value of assets in the client's account, rather than on the transactions in the account (e.g., as in a brokerage account that charges commissions). The wrap fee for a Wrap Program generally covers investment advice provided by VWM and other portfolio managers participating in the Program, the execution of client transactions, account servicing, and performance reporting, in addition to other standard services. VWM receives a portion of this wrap fee for the investment advice it provides.

The VSP, SMA, and UMA Wrap Programs are discretionary programs where a client appoints VWM or one or more other parties to make investment decisions with respect to the assets in the client's account. VCA and VELA are non-discretionary programs, where the client's investment adviser representative ("IAR") makes recommendations to the client, who then approves or disapproves them. To assist VWM with the VSP, SMA, UMA, and VCA Wrap Programs, VWM has entered into an agreement with Envestnet Asset Management, Inc. ("Envestnet"), an unaffiliated investment adviser, which provides, among other things, overlay portfolio management services, tax overlay management services, research information on hundreds of different portfolio managers, reporting services, and technological and online services to assist VWM in managing portfolios. Please refer to the Envestnet Asset Management, Inc. Form ADV Part 2A as provided to clients in an applicable Wrap Program for additional information.

VWM and its IARs do not have discretionary authority to manage securities accounts that comprise the Wrap Programs, except for VSP. VSP is a discretionary advisory program in which VWM uses risk-adjusted and objective-based models comprised of exchanged traded funds ("ETFs") and mutual funds. The VWM investment committee is responsible for setting

strategic and tactical asset allocations to guide the Wrap Program. The VWM investment committee includes VWM investment professionals with different areas of expertise in asset allocation and specific asset classes. The VWM investment committee meets on scheduled monthly dates and on an ad hoc basis, as necessary. The VWM investment committee also produces client letters and market commentary on both a scheduled and ad hoc basis.

In the advisory relationship between a client in a Wrap Program and VWM, the client will typically work with an IAR to determine the client's overall investment situation, needs, goals, risk tolerance, and time horizon for the assets being invested. To assist in identifying these factors, the client completes a questionnaire and provides investment profile information on the new account application applicable to accounts in a Wrap Program. An IAR will use the information provided by the client, among other considerations, to assist the client in selecting the appropriate Program(s) and subsequent investment strategy. If the client wishes to proceed with the Program(s), the client will enter into an agreement that contains specific terms applicable to the Program(s) selected, advisory services to be offered, fees payable by the client, and other terms applicable to the client's advisory relationship with VWM.

In addition to being available directly through VWM, the Hallmark Investment Strategies are also available through third-party investment managers' advisory programs and certain of VWM's Wrap Programs through Envestnet. The cost of investing in the Hallmark Investment Strategies through a Wrap Program may be more than the cost of investing in the Hallmark Strategies through a third-party manager's advisory program or through VWM directly. To address this conflict of interest, VWM generally does not recommend that its clients invest in the Hallmark Investment Strategies through its Wrap Programs.

The Wrap Programs are described in greater detail in VWM's Form ADV Part 2A, Appendix 1 brochure (the "Wrap Program Brochure"), which is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request.

### **C. Client Tailored Services and Client Imposed Restrictions**

VWM offers investment advisory services which are tailored to meet the specific needs of each client. To provide appropriately individualized services, VWM works with each client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

For VWM to provide effective advisory services, it is critical that clients provide accurate and complete information to VWM and inform VWM whenever such information needs to be updated or there is a change in financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their investment management accounts. A restriction request may not be honored if it is fundamentally inconsistent with VWM's investment philosophy, runs counter to the client's stated investment objectives, or would prevent VWM from properly servicing other client accounts. In addition, some restrictions may not be accommodated when utilizing exchange-traded funds, mutual funds or with respect to certain third-party products or services. The determination of whether a restriction is reasonable is solely that of VWM.

**D. Assets Under Management**

As of March 31, 2023, the total amount of client assets managed by VWM is approximately \$2,190,440,951. Of this total amount, \$2,102,114,131 of client assets are managed on a discretionary basis and \$88,326,820 are managed on a non-discretionary basis.

**Item 5 – FEES AND COMPENSATION****A. Advisory Fees****Hallmark Investment Strategies**

VWM's annual investment management fee for the Hallmark Investment Strategies is charged as a percentage of a client's assets under management, generally in accordance with the following fee schedule:

<b>Account Assets</b>	<b>Annual Rate</b>	<b>Equivalent Quarterly Rate</b>
For accounts over \$500,000:		
First \$3 million	1.0%	0.250%
Next \$2 million	0.8%	0.200%
Balance over \$5 million	0.6%	0.150%
For accounts over \$15 million	0.6%	0.150%
For accounts over \$50 million	0.5%	0.125%
For accounts over \$100 million	0.4%	0.100%

Minimum Quarterly Fee: \$1,250 per quarter

Fees for fixed income only accounts are discounted at 50% of the prevailing rate.

The fees and minimums for Hallmark Investment Strategies are typically not negotiable, but VWM retains the right to modify fees, including minimum annual fees and minimum account sizes, in its sole and absolute discretion, on a client-by-client basis, based on the size, complexity and nature of the investment management or financial planning services provided.

Fees are generally billed quarterly in advance based on the market value of the client's portfolio at the close of business on the last business day of the previous quarter. The initial fee is pro-rated and covers the period from the date the client's account is accepted for management by VWM through the last business day of the current calendar quarter. Clients are billed if additional cash, securities, or other investments in excess of 20% of the prior quarter-ending market value are accepted for management during the first two months of any quarter. The fee is pro-rated for the number of days remaining in the fee period and covers the total value of the accepted assets. Details of the investment management fee charged are more fully described in the investment agreement executed with each client ("Investment Agreement").

With respect to its management of the Hallmark Investment Strategies, VWM is compensated solely by investment management fees paid by its clients, and VWM and its supervised persons

do not receive commissions or compensation from the purchase or sale of any mutual fund, insurance product, or other investment product.

### **Financial Planning Fees**

VWM is compensated for its financial planning services on an hourly basis at the rate of \$200 per hour and the total fee will depend on the nature and complexity of the client's circumstances. At the beginning of the relationship, an estimate of hours required to complete the plan is normally determined with a maximum fee established. At the start of each engagement, 50% of the estimated total fee is due, with the balance due upon completion and delivery of the financial plan or specialized analysis.

### **Wrap Program Fees**

Clients in a Wrap Program agree to pay an annualized, asset-based fee based on the value of assets in the account ("Total Client Fee"). The Total Client Fee for each account includes, as applicable, (1) fees paid to VWM for on-going advice, asset management, and due diligence ("Advisory Fee"), (2) fees paid to platform providers for trading, custody, platform and overlay services, and (3) fees paid to portfolio managers other than VWM ("Manager Fees"). The Total Client Fee for a Wrap Program is generally negotiable.

Please refer to the Wrap Program Brochure for a fee schedule for each Wrap Program and further information regarding the conflicts of interest associated with investing through a Wrap Program.

## **B. Payment Method**

### **Billing for Hallmark Investment Strategies**

Clients in the Hallmark Investment Strategies have the option of authorizing the deduction of the investment management fee from their custodial account or being billed directly.

#### **Custodian Deduction**

If a client authorizes the deduction of investment management fees, each quarter, VWM will notify the client's independent qualified custodian of the amount of the fee due and payable according to the client's Investment Agreement with VWM. The qualified custodian will not validate or check VWM's fee, the corresponding calculation, or the assets on which the fee is based, unless the client has retained their services to do so. It is solely the client's responsibility to verify the accuracy of the calculation. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the accounts the client designates to pay VWM's investment management fee.

At least quarterly, the client will receive a statement directly from the qualified custodian showing all transactions, positions and all amounts deposited to or disbursed from the client's account. Statements will also reflect the investment management fee paid by the client to VWM.

#### **Direct Billing**

If the client opts to be billed directly, each quarter, VWM will issue the client an invoice for the investment management fee and the client will pay VWM by check.

### **Billing for Wrap Programs**

Fees payable to VWM for Wrap Program services are, with the client's prior written acknowledgement, automatically deducted from the client's account when due. The client will

receive account statements from the account's custodian, showing the fee amounts debited. In discretionary Programs, VWM will sell money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be sold. In non-discretionary Wrap Programs, VWM will not sell a client's money market shares or other investments to raise cash to pay fees without prior authorization from such client.

### **C. Other Fees and Expenses**

#### **Mutual Fund and Exchange-Traded Funds ("ETF") Fees**

Investment management fees paid to VWM for the Hallmark Investment Strategies and the wrap fee for Wrap Programs investment management services are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, and other investment funds to their shareholders. These fees and expenses are described in each fund's prospectus and generally include a management fee, other fund expenses, and a possible distribution fee. Certain funds also impose on shareholders an initial or deferred sales charge.

A client could invest in a mutual fund, ETF, or other fund directly, without the services of VWM. In that case, the client would not receive the services provided by VWM which are designed, among other things, to assist the client in determining which mutual fund or other fund is most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for advising and monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus.

Accordingly, clients should review both the fees charged by the funds and the fees charged by VWM to fully understand the total amount of fees incurred.

#### **Trading Costs**

Investment management fees paid to VWM for the Hallmark Investment Strategies are separate and distinct from any and all transaction fees charged by broker-dealers to execute the purchase and sale of equity securities, fixed income securities, options, and mutual funds.

To the extent a client account trades fixed income securities, and the account is custodied at Pershing, LLC ("Pershing"), VWM may use the bond trading desk of its affiliate, VFM, to source bonds for such account, and VFM charges a disclosed markup or markdown on the bonds. Accordingly, VWM has an incentive to use VFM over third parties to source bonds for client accounts because doing so will result in VWM's affiliate receiving additional compensation in the form of disclosed markups or markdowns on bonds.

Please see Item 12 of this Brochure (Brokerage Practices) for additional information on brokerage and other transaction costs with respect to the Hallmark Investment Strategies.

#### **Custody Costs**

VWM does not provide custodial or other administrative services for accounts managed in accordance with the Hallmark Investment Strategies. Such clients are responsible for all custodial, ancillary, and miscellaneous fees, if any, charged by custodians.

#### **Other Fees and Expenses in Wrap Programs**

The Total Client Fee for a Wrap Program does not include the following: (a) charges for services provided by VWM, its affiliates, or third parties which are outside the scope of the service

agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, etc.); (b) any taxes for fees imposed by exchanges or regulatory bodies; (c) brokerage commissions and other transaction-related fees and charges other than those included in a wrap fee; and (d) internal operating expenses on mutual funds, exchange traded funds, or alternative investments. Each of these additional charges may be separately charged to the client or reflected in the price paid or received for a given security.

#### **D. Termination and Refunds**

##### **Hallmark Investment Strategies**

In the case of a client in the Hallmark Investment Strategies, VWM's services may be canceled at any time, by either party, for any reason upon thirty (30) days prior written notice to the other party. Upon termination of an account, any prepaid, unearned fees will be pro-rated from the date of termination through the end of the billing period and promptly refunded. Refunds are processed by credit to the client's account or by direct payment to the client. Any earned and unpaid fees will be due and payable.

The client has the right to terminate an Agreement without penalty within five (5) business days after entering into the Investment Agreement. On the termination of the Investment Agreement, VWM will have no obligation to recommend or take any action regarding the securities, cash, or other investments in the clients' portfolio.

##### **Wrap Programs**

Should a deposit of \$10,000 or more be made to an account in a Wrap Program after a quarterly fee assessment has been made, the account may be billed pro-rata for that deposit. Similarly, if a withdrawal of \$10,000 or more is made, the account may be credited pro-rata for the fee that was previously billed. In the event of contract termination, which can occur upon 30 days advance written notice from either the client or VWM, prepaid fees will be pro-rated, and the unearned portion returned to the client.

#### **E. Compensation to IARs**

In addition to base salary, VWM's IARs receive incentive compensation based on the amount of revenue VWM generates from client assets. As a result, VWM's IARs have an incentive to recommend an advisory program or strategy that generates more revenue for VWM than another program or strategy that generates less revenue for VWM.

Also, the majority of IARs who provide advisory services through VWM also provide other services including brokerage, insurance, and/or banking services through VWM's affiliates. These financial professionals receive more compensation for revenue generated from certain services than they do for the same amount of revenue generated from other services. This creates a conflict of interest whereby financial professionals have a financial incentive to recommend products and services that result in more compensation for the financial professional per dollar of revenue generated for VWM or its affiliates. For example, financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue from brokerage services.

## **F. IRA Rollover Considerations**

A client or prospective client leaving an employer has four options regarding an existing retirement plan (and can engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account, or (iv) cash out the account value (which could, depending upon client's age, result in adverse tax consequences). If VWM recommends that a client roll over their retirement plan assets into an account to be managed by VWM, such a recommendation creates a conflict of interest if VWM will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by VWM.

### **Item 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

VWM does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the assets in a client's account) with respect to any investment strategy VWM manages.

### **Item 7 - TYPES OF CLIENTS**

VWM provides investment management services to institutional clients such as pension and profit-sharing plans, charitable organizations, foundations, endowments, banks and thrift institutions, corporations, and other types of business entities, as well as to individual investors, including high net worth individuals and families, trusts, and estates.

#### **Engaging the Services of VWM**

Clients wishing to engage VWM for investment management services must sign the applicable advisory, brokerage account, and custody agreements, and complete and provide any other documents or questionnaires requested by VWM. VWM will accept an account and notify a client upon determining all documents and all required criteria are acceptable.

#### **Conditions for Managing Accounts**

##### Hallmark Investment Strategies

VWM requires new clients in an equity or fixed income Hallmark Investment Strategy to have a minimum account size of \$500,000. The minimum account size is \$100,000 for a Hallmark Investment Strategy that invests in ETFs. The minimum account size is also \$100,000 for a client that accesses a Hallmark Investment Strategy through Envestnet. VWM, in its sole and absolute discretion, retains the right to reduce or waive these minimum account sizes. VWM will consider related accounts of the same client family or organization in meeting the minimum account size.

##### Financial Planning Services

Financial planning services are offered as a stand-alone service and a client need not establish an investment management relationship to utilize VWM's financial planning services. Clients in a Hallmark Investment Strategy or a Wrap Program are not normally charged for financial planning services.

##### Wrap Programs

The Wrap Programs generally require a minimum account size of \$100,000.

#### Affiliated Brokerage and Bank Accounts

To receive advisory services, VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by, a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM to VFM for servicing these accounts will be provided to an affiliate rather than a third party.

Clients that open a brokerage/custody account through VFM are also required to open a bank account with VWM's parent company, Valley National Bank. Clients are not required to maintain a minimum balance in this bank account. Bank deposits held at Valley National Bank and the purchase of bank products and services offered by Valley National Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank.

Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate.

Please see further disclosure in Item 12 of this Brochure (Brokerage Practices) for further information about VWM's use of an affiliated broker-dealer.

## **Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

#### **Hallmark Investment Strategies**

VWM's investment process with respect to the Hallmark Investment Strategies begins with consideration of each client's equity exposure guidelines and any unique investment constraints. For "balanced" accounts, VWM then executes the tactical allocation of each client's portfolio among three broad asset classes (stocks, bonds, and cash reserves) within the pre-approved range of each client's guidelines, based on the investment outlook of VWM's Market Advisory Group. For "equity" accounts, bonds may be excluded or utilized as part of cash reserves. For "fixed income" accounts, stocks are normally excluded. The Market Advisory Group includes VWM investment professionals, and a group of professional financial strategists selected by VWM who provide their advice about the relative attractiveness of the stock and bond markets. VWM carefully weighs the collective opinion about the prospects for the markets and adjusts each client's asset mix, where appropriate, after considering the risk/return trade-off of any such changes. VWM manages each portfolio on a continuous basis, evaluating current positions and opportunities as revealed by established disciplines.

Common stocks are selected from a universe of large and mid-sized companies that are members of the Russell 1000 Index and/or the Standard & Poor's 500 Index. VWM may choose to utilize mutual fund and/or exchange-traded fund investments in the portfolios it manages. VWM can tailor its equity investment process to accommodate clients with either more aggressive or income-oriented goals. Fixed-income investments may include U.S. Treasury and agency securities, mortgage-backed or other asset-backed bonds, as well as corporate and municipal bonds and, in some cases, exchange-traded funds and mutual funds. Bonds are used to generate income and reduce portfolio volatility. For clients who desire exposure to non-U.S. markets for a portion of their portfolio, VWM may utilize exchange-traded funds.

#### Valuation Analysis for Equity Selection

VWM's stock selection strategy seeks an attractive relationship between the quality of a company's business, its earnings outlook, and the reasonableness of its stock price. The stock selection process is strongly influenced by VWM's proprietary "Valuation Analysis", supplemented by the experienced judgment of the investment staff.

The Valuation Analysis awards a "Value Score" that ranks each stock in our investment universe on its statistical attractiveness. A Value Score incorporates the following metrics:

- A Business Profile Score that is comprised of various measurements of corporate growth, profitability, and balance sheet strength.
- The projected change in earnings per-share for the next twelve months.
- The Price/Earnings ratio using estimated earnings.

Generally, portfolio selections are made from those companies ranked within the top third of Valuation Scores, after the investment team has done further fundamental analysis.

#### Mutual Fund and Exchange-Traded Fund Portfolios

VWM utilizes asset allocation strategies to match client goals and objectives, including: long-term purchases, short-term purchases, trading, short sales, margin transactions and option writing.

##### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

##### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

##### *Trading*

Securities are purchased with the expectation that they will be sold within a very short period, generally less than 30 days, to capture significant market gains and avoid significant market losses during a volatile market.

##### *Short Sales*

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### *Margin Transactions*

A securities transaction in which an investor borrows money to purchase a security, where the security serves as collateral on the loan.

### *Option Writing*

An option is the right, but not the obligation, to buy or sell a security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

### Sources of Information

Investment team members may utilize the following sources of supplemental information to perform analysis and develop investment strategies: research materials prepared and provided by others (particularly Wall Street investment firms), filings with the SEC, financial newspapers and magazines, corporate rating services, conference calls, annual reports, prospectuses, and company press releases.

### **Wrap Programs**

#### General Investment Requirements for Selecting Managers and Funds

In connection with its due diligence for VSP, UMA, VCA, and VELA, VWM evaluates funds and fund managers using objective and subjective criteria, including the following:<sup>1</sup>

#### *Diversification by Holdings*

All fund managers shall maintain a sufficient number and breadth of holdings in each fund they manage to provide an adequate representation of the primary characteristics of each fund's declared strategy or style. An investment in a concentrated fund/investment vehicle is allowable if the overall portfolio is diversified.

#### *Performance*

Performance net of fees compared to relevant indices and peers.

#### *Track Record of Manager*

Each actively managed fund should have a minimum track record of three years during which the same portfolio management team managed the fund. The three-year requirement may be waived if the fund manager has a proven track record of managing assets in the same category under consideration, or if the fund is an "index" strategy.

#### *Style drift*

Each fund manager's objective for a specific fund should remain consistent with its stated investment strategy for the fund.

### Mutual Fund and ETF Due Diligence and Selection Process

Each external investment manager must meet specific investment objectives and/or performance standards. The VWM investment committee conducts periodic assessments of managers and funds. The investment committee has a long-term perspective. Accordingly,

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<sup>1</sup> For the SMA Program, Envestnet is responsible for conducting due diligence on SMAs.

short-term investment performance shortfalls are not necessarily of critical interest unless they suggest failures in strategy execution. At a minimum, the assessment includes a review of the following, if applicable:

- History of the firm
- Part 1 & 2 of Form ADV for investment advisers
- Management, ownership structure and business practices
- Breadth of products offered
- Minimum level of continuous trading history and assets under management
- Investment philosophy
- Any material pending or concluded disciplinary events

Additional factors are reviewed at the investment committee's discretion. In addition, the investment committee conducts quarterly reviews of investment returns against standard benchmarks applicable to the manager given its strategy.

#### Manager Monitoring Policy

The VWM investment committee reviews the investment performance of the investments in the Wrap Programs relative to guidelines no less frequently than quarterly. The Committee also reviews significant issues such as change in ownership, personnel, or style. VWM typically conducts meetings with managers when deemed necessary to review:

- Adherence to the original investment/account selection requirements, including long-term performance measures.
- Any material changes to the investment manager's organization, process, or portfolio manager or team.
- Any material litigation or regulatory action against the investment firm that may impact future performance or the reputation of the provider.
- Significant loss or growth of the manager's assets under management.
- Significant declines in relative performance of a manager

#### Watch List and Terminations

For SMA, UMA, VCA, and VELA, if there is a material issue identified for a particular investment manager or fund with respect to the foregoing criteria, then VWM may decide, in its sole judgment, to (i) take no action if it concludes that it has reasonable basis for such a conclusion, (ii) monitor the investment manager or fund closely on a regular basis (quarterly, semi-annually, or annually) for at least one year as a means of evaluating future progress in addressing the issue of concern or (iii) terminate the investment manager or fund.

An investment manager or fund which is held within any of the Wrap Programs except VSP may be placed on a "Watch list" for closer monitoring when one or more of the following occur but is not limited to these items:

- An investment manager or fund performs below the median for its peer group over a 3- or 5-year cumulative measurement period.
- There is a style drift away from the stated investment approach for more than two years.
- There is a significant change in the professionals managing the investment.
- There is a significant decrease in the investment manager's assets under management.
- There is a significant increase in the investment fees and expenses.

- Any extraordinary event occurs that may interfere with an investment manager’s ability to prudently manage investment assets.

The investment manager or fund may be placed on the “Watch List” for 12 months, but that time may be extended or reduced in VWM’s discretion.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### **Material Risks**

As with any investment, loss of principal is a risk of investing. Investments in securities are subject to numerous risks, including, but not limited to, the material risks listed below.

#### **General Risks**

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client’s portfolio managed by VWM may be affected by one or more of the following risks, any of which could cause a client’s portfolio return, the price of the portfolio’s shares, or the portfolio’s yield to fluctuate:

- *Market Risk.* The value of portfolio assets will be heavily influenced by the overall performance of the stock and/or bond markets. The value of investments may decline, sometimes rapidly and unpredictably, because of economic changes or other events that affect large portions of the market.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer’s competitive position.
- *Capitalization Risk.* Certain companies in the universe of stocks VWM screens might be considered small-to-mid-capitalization companies that may be more volatile than investments in large-capitalization companies.
- *Liquidity Risk.* Liquidity risk exists when certain investments are difficult to purchase or sell, possibly preventing VFM from selling out of such illiquid securities at an advantageous price. Liquidity risk generally results from the inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of securities are generally liquid (*e.g.*, exchange-traded stocks and corporate bonds), there are risks which may occur such as when a security trading in a given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Management Risk.* VWM will apply its investment techniques and risk analysis in making investment decisions for a client’s portfolio, but there is no guarantee that these techniques and VWM’s judgment will produce the intended results.
- *Risk Associated with Methods of Analysis.* The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment. VWM’s securities analysis methods rely

on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While VWM is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

- *Quantitative Tools Risk.* Some of VWM's investment techniques may incorporate, or rely upon, quantitative analysis. There is no guarantee that this analysis will generate accurate forecasts, reduce risks, or otherwise produce the intended results. Data is provided by outside vendors and while VWM believes the information to be correct, we do not independently verify its accuracy.
- *Asset Allocation Risk.* The performance of a client's account is dependent upon VWM's or another portfolio manager's ability to allocate the client's assets to meet their specific financial objectives. Each client has an allocation designed specifically for their unique financial situation. The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. In addition, there is a risk that certain asset allocation decisions may not achieve desired results and a client's portfolio may incur significant losses or underperform a benchmark, particularly over shorter time frames.
- *Portfolio Manager Selection Risk* — The performance of a client's account, particularly in certain Wrap Programs, is also dependent upon VWM's ability to identify portfolio managers whose investment performance will enable the client to meet their financial objectives. Portfolio managers selected by VWM's may or may not meet the client's objectives and may underperform appropriate benchmarks.
- *Concentrated Portfolio Risk.* Certain, more aggressive strategies may result in holding fewer stocks than other, more diversified, portfolios at VWM. As a result, changes in the prices of these securities are more likely to have a larger impact on portfolio performance than a more broadly invested strategy. Concentrated portfolios are much more likely to experience dramatic price swings and may experience larger loss of value.
- *Acts of God, Geopolitical, Economic, Social, and Health Risk.* The success of a client's investment portfolio could be impacted by acts of God or other unforeseen events where VWM, its affiliates, and third-party managers have a lack of control (collectively, "Disruptions"), including, but not limited to, natural disasters (including, without limitation, fire, flood, and earthquakes), public health concerns (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola, or other existing or new pandemic or epidemic diseases), war, terrorism, social and political discord, geopolitical events, national and international political circumstances, economic uncertainty, changes in laws, trade barriers, and other unforeseen and/or uncontrollable events with widespread impact. These Disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility or lack of liquidity will impair an investment's profitability or result in its suffering losses. A Disruption may materially and adversely impact the value and performance of any investment, the ability to source, manage and divest investments, and the ability to achieve a client's investment objectives, ultimately resulting in significant losses to clients. In addition, there is a risk that a Disruption will significantly impact the operations of VWM, other portfolio managers, VWM's clients,

and clients' portfolio companies, or even temporarily or permanently halt their operations.

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions. The extent of the impact of any such disruption on VWM's, its clients', and any portfolio investments' operational and financial performance will depend on many factors, including the duration and scope of such Disruption, the extent of any related travel advisories and restrictions implemented, the impact of such Disruption on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disturbance to important global, regional, and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted.

- *Pandemic Risk.* Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, economic, and social risks. The impact of an epidemic or pandemic could negatively affect the worldwide economy, as well as the economies of individual countries, individual companies, and the market in general, in significant and unforeseen ways. Any such impact could adversely affect the performance of the securities in which a client's account invests and the performance of a client's account.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.
- *Long-Term Purchases.* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market invested in, or the chosen investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).
- *Short-Term Purchases.* Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.
- *Trading.* Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.
- *Short Sales.* Short selling is very risky. The primary risk associated with selling a security that was borrowed in anticipation of a price decline is that if the price of those borrowed shares *increases*, the potential losses are *unlimited*.
- *Margin Transactions.* Buying stocks on margin employs leverage as an investing strategy. Leverage allows an investor to extend their financial reach by investing with borrowed funds while limiting the amount of their own cash they expend. This can involve a high degree of risk, including, but not limited to:

- Losing more money than invested;
  - Paying loan interest;
  - Being required to deposit additional cash or securities to an account on short notice to cover market losses;
  - Being forced to sell some or all securities when falling stock prices reduce the value of those securities; and/or
  - The sale of some or all securities by a broker without consulting the account owner to pay off a margin loan.
- *Derivatives and Commodity-Linked Derivatives Risk.* These may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Commodity-linked derivative instruments may involve additional costs and risks such as changes in commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in derivatives could lose more than the amount invested.
  - *Option Writing.* There are numerous risks associated with transactions in options on securities or securities indexes, and therefore, this transaction type is not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).
  - *Cyber Security Risk.* VWM is susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, misuse, release, loss, destruction or corruption of confidential and restricted data; denial of service attacks; unauthorized access to systems, compromises to networks or devices that VWM and its service providers, if applicable, utilize to service client accounts; ransomware attacks; or operational disruption or failures in the physical infrastructure or operating systems that support VWM or its service providers. Cyber attacks against, or security breakdowns of VWM or its service providers, if applicable, may adversely impact us and our clients, potentially resulting in, among other things, financial losses; violations of applicable privacy and other laws; our ability to transact business on our clients' behalf; regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs; and/or additional compliance costs. Cyber security risks may also impact issuers of securities in which VWM invests, which may cause such investments to lose value. There can be no assurance that VWM or its service providers will not suffer losses related to cyber attacks or other information security breaches in the

future. While we have business continuity plans and risk management systems that seek to address breaches or failures, there are inherent limitations in such plans and systems.

### **C. Risks Associated with Specific Securities Utilized**

#### Common Stocks

The major risks associated with investing in common stocks relate to the quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to generate a sufficient level of profits to support the value of the company's stock price. Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular fund invests, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which an account invests will declare dividends in the future or that if declared they will remain at current levels or increase over time.

#### Mid-Cap/Small-Cap Stocks

Small-cap companies may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of small-cap and mid-cap companies may be subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

#### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

#### Real Estate Investment Trusts (REITS)

Investing in Real Estate Investment Trusts ("REITs") involves real estate risk, market risk and interest rate risk, among others.

REITs that invest directly in real estate are exposed to the following risks: possible decline in the value of the underlying property investment, risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from cleanup of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates.

The value of shares in publicly traded REITs can fluctuate. An investor who sells shares in a REIT could receive more, or less, than the original purchase price. Factors that can influence market risk include the general level of real estate property values, which tend to rise and fall with current market conditions. As with any active business, a factor in successful performance lies with management skill. REITs are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation. The REIT structure falls under the provisions of specific U.S. Federal income tax law, which could change. The REIT is exempt from corporate income tax, but shareholders must pay tax at their individual income tax rate on any dividends.

Another risk is dependent on interest rates. Shares of REITs, especially mortgage REITs, are sensitive to changes in the general level of interest rates. Mortgage REITs respond much like bonds, generally increasing in value as interest rates fall and decreasing in value if interest rates rise.

#### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* Interest rate risk is the risk that the value of an account will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing an account to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

- *Income Risk.* The income earned from an account may decline because of falling market interest rates. Also, if an account invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the account's income may decrease if short-term interest rates rise.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. The issuer or guarantor may default, causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations. For example, credit risk is generally heightened for accounts that may invest in "high yield" securities. Rating agencies may misjudge the riskiness of any individual creditor.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Municipal Bonds

In addition to the risks set forth under "Fixed-Income Securities" above, municipal bonds are susceptible to events in the state, county, or municipal agency that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues. Income from municipal bonds that may be held by an account could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of an account's otherwise exempt dividends may be taxable to those shareholders subject to the federal alternative minimum tax.

### Federal Agency Securities

Although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations and its debt and equity securities are neither guaranteed nor insured by the U.S. Government. Without a more explicit commitment, there can be no assurance that the U.S. Government will provide financial support to such issuers or their securities.

### Derivatives

Certain strategies may involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds, or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.

#### Exchange-Traded Funds

ETFs are subject to risks like those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold, they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit the client. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

#### Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also carry the same risks as set forth under "Fixed-Income Securities" listed above.

#### Index Funds

Index Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages,

there are asset classes within these funds or holding periods that may not benefit the client. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

#### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

#### Master Limited Partnerships

Master Limited Partnerships (MLPs) are a type of limited partnership that is publicly traded and sells like a common stock on the major stock exchanges. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. MLP investors face several kinds of risk that are inherent in these types of investments and in the market, including loss of money, volatility, and interest rate risk.

#### Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity, or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

### **D. Risks Associated with International Investments**

#### International Investing Risk

Investing in securities or issuers in markets other than the United States involves risks not typically associated with U.S. investing, such as currency risk, risks of trading in foreign securities markets, and geopolitical and economic risks. A portfolio's investments in securities of non-U.S. issuers may fluctuate widely in price and may be less liquid due to adverse market, economic, political, regulatory, or other factors.

#### Currency Risk

Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns. Because the foreign securities in which the accounts invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the account's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of an account.

#### Foreign Securities Market Risk

Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. At times, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

#### Political and Economic Risks

International investing is subject to the risk of political, social, or economic instability in the country of the issuer of a security, the difficulty of predicting international trade patterns, the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, and nationalization of assets.

Additionally, an account's income from foreign issuers may be subject to non-U.S. withholding taxes. Non-U.S. companies generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions may limit or preclude investment in certain countries or may increase the cost of investing. To the extent an account invests in depositary receipts, the account will be subject to the same risks as when investing directly in foreign securities.

#### Emerging Markets Risk

Securities of companies in emerging markets may be more volatile than those of companies in developed markets. Markets, economies, and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization, or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

***Please note that there may be other circumstances not described here that could adversely affect a client's investment and prevent a client's portfolio from reaching its objective.***

#### **Item 9 – DISCIPLINARY HISTORY**

VWM is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of VWM's management. Neither VWM, as a firm, nor any of its management persons have been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of VWM or its personnel.

Certain of VWM's IARs are dual-licensed as registered representatives with VWM's broker-dealer affiliate, VFM, and were previously licensed as IARs with VFM prior to the combination of VFM and Hallmark's advisory businesses. Disciplinary information for VFM can be found at [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

## **Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration and Registered Representatives**

VWM is not registered, nor does it have an application pending to register, as a broker-dealer. However, as discussed below in the Financial Industry Affiliations section of this Item 10, the majority of VWM's IARs (including certain of VWM's management persons) are licensed as registered representatives of VWM's broker-dealer affiliate, Valley Financial Management.

### **B. Futures and Commodity Registration**

VWM is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Financial Industry Affiliations**

#### Affiliated Banking Institutions and Trust Companies

VWM is a wholly owned subsidiary of Valley National Bank, chartered as a national banking association. Valley National Bank is the principal subsidiary of Valley National Bancorp. Valley National Bank provides administrative support to VWM. VWM provides investment management and/or financial planning services to certain directors, officers, and customers of Valley National Bank, the Valley National Bank Pension Plan, Valley National Bank and/or other subsidiaries or affiliates and/or Valley National Bancorp.

VWM provides investment management services to certain customers of Valley Trust, a division of Valley National Bank, through a sub-advisory agreement executed by VWM and Valley Trust.

VWM will not purchase the security or securities of Valley National Bancorp for a client's portfolio unless specifically directed by the client.

As noted in Item 7 (Types of Clients), clients are generally required to open a bank account at Valley National Bank in order to receive advisory services. Clients are not required to maintain a minimum balance in this bank account. Bank deposits held at Valley National Bank and bank products and services offered by Valley National Bank will generate revenue for VWM's affiliate. This creates a conflict of interest whereby VWM has an incentive to recommend that clients open a brokerage/custody account through VFM with a bank account through Valley National Bank.

Valley National Bank provides loans, securities lending, and other banking services to its customers. If a VWM client receives these services, Valley National Bank is authorized to use the assets in the client's advisory account with VWM as collateral for certain loans and borrowed securities, to the extent permitted in the client's agreement(s) with Valley National Bank.

### Affiliated Broker-dealers

VWM is affiliated through common ownership and control with Valley Financial Management, Inc., a wholly owned subsidiary of Valley National Bank and a broker-dealer registered with the SEC. Prior to the combination of VFM and Hallmark's advisory businesses, on June 30, 2023, VFM was also registered with the SEC as an investment adviser and certain of VWM's IARs were previously licensed as IARs with VFM's former advisory business. In addition, VWM shares the same physical location with VFM.

As noted in Item 7 (Types of Clients), VWM's clients are generally required to open a brokerage/custody account through VFM, which is introduced to, and carried by a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM to VFM servicing these accounts will be provided to an affiliate rather than a third party. Certain clients are not subject to the requirement to open an account through VFM, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses. Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian. Clients that choose to open a brokerage/custody account at a third-party custodian are not required to open a bank account with Valley Bank. Certain third party custodians charge a fee to our broker dealer affiliate VFM. This creates a conflict of interest as we have an incentive to recommend clients use a third party custodian that does not charge a fee to our affiliate. Please see further disclosure in Item 12 of this Brochure (Brokerage Practices) for further information about VWM's use of an affiliated broker-dealer.

Certain of VWM's IARs are also registered representatives and associated persons of VFM. As noted in Item 5 (Fees and Compensation), these financial professionals generally have an incentive to recommend advisory services over brokerage services because financial professionals typically receive more compensation for revenue generated from advisory services than they do for revenue from brokerage services.

VWM is also affiliated with DV Financial Services, LLC ("DVFS"), a registered broker dealer, and a wholly owned subsidiary of Valley National Bank. VWM does not utilize, or recommend the services of DVFS, to its clients. In addition, VWM does not share any supervised persons or the same physical location with DVFS.

### **D. Other Investment Advisers**

VWM does not receive compensation, directly or indirectly, from portfolio managers or other investment advisers it selects or recommends for clients (e.g., when a portfolio manager is selected for a client through the SMA Wrap Program). VWM is not affiliated with any other investment adviser.

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

#### **Code of Ethics**

VWM maintains a Code of Ethics which is predicated on the principle that VWM and its employees owe a fiduciary duty to its clients. Accordingly, VWM requires all employees to

conduct themselves with honesty, integrity and dignity and act in an ethical and professional manner. VWM maintains a policy of strict compliance with federal and state securities laws, and all other applicable laws, rules, regulations, and legal requirements in the conduct of its business. VWM and its employees are required to adhere to its Code of Ethics and, always, must (i) place client interests ahead of VWM's; (ii) engage in personal investing in full compliance with VWM's Code of Ethics; and (iii) avoid taking advantage of their positions.

VWM maintains policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any employee or other persons associated with VWM. The Code of Ethics also includes provisions relating to the confidentiality of client information, exercising honesty and candor in all activities, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, and complying with applicable laws, rules and regulations, among other things. All supervised persons at VWM must acknowledge annually the terms of this Code of Ethics.

VWM will provide a copy of its Code of Ethics to clients and prospective clients upon request.

### **Participation or Interest in Client Transactions; Conflicts of Interest**

To maintain the fiduciary responsibility VWM owes to its clients, VWM's officers, employees, and their immediate families are required to conduct all personal securities transactions in a manner consistent with VWM's Code of Ethics and avoid any actual or potential conflict of interest or any abuse of a position of trust and responsibility. VWM reviews and maintains monthly and/or quarterly statements on all personal securities transactions.

Valley National Bank, VWM's sole shareholder, and Valley National Bancorp, VWM's ultimate parent, and its affiliates, generally have discretionary authority to purchase and sell securities for trust and advisory clients, as well as for their own investment portfolios and the Valley National Bank non-contributory pension plan ("Valley Bank Pension Plan"). It is possible that securities which are purchased or sold for VWM's clients will at the same time, and without VWM's knowledge, be held by, or be in the process of being purchased or sold for, Valley National Bank's or Valley National Bancorp's investment portfolios, the officers and directors of Valley National Bank or Valley National Bancorp, the Valley Bank Pension Plan and/or other accounts managed by Valley National Bank, Valley National Bancorp, another subsidiary of Valley National Bank or Valley National Bancorp, or an independent investment manager retained by Valley National Bancorp.

VWM may effect principal or agency cross securities transactions for client advisory accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated investment fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

When VWM purchases mutual fund shares for clients, it selects share classes that do not pay it service fees (referred to as "12b-1" fees) or other distribution fees ("Trailer Fees"). If a client

transfers shares into its account that pay VWM's affiliate, VFM, Trailer Fees, VFM credits the account with the amount of Trailer Fees it receives.

## **Item 12 - BROKERAGE PRACTICES**

### **A. Brokerage Selection**

This section of the Brochure describes the factors that VWM considers in selecting broker-dealers for transactions of clients in the Hallmark Investment Strategies.

#### Best Execution

VWM has a fiduciary duty to engage in brokerage practices that are in the best interests of its clients. In the absence of a specific written directive from a client, brokers are selected by VWM based on several factors including the ability to provide "best execution." In seeking best execution, VWM considers many items including, but not limited to, the quality and nature of brokerage services provided, the commission or other remuneration charged, if any, the confidentiality provided by the broker, the quality of broker confirmations and statements, the overall responsiveness to VWM's needs, the number of trade errors, the financial strength of the broker, the reputation and integrity of the broker, and the value of research services provided by the broker.

#### Research Services

In general, research services include economic and investment strategy reports, industry and company analyses, financial databases and screening tools, and statistical and technical market reports. In recognition of the value to our clients of brokerage and/or research services provided to VWM by a broker, VWM may pay higher commissions than that which another broker might charge for effecting the same transactions.

Brokers providing research may be used in servicing all of VWM's client accounts, even if the research services are not used by VWM in connection with the specific client accounts paying the commissions.

#### Third-Party Research/Soft Dollars

VWM currently does not have any soft dollar arrangements. In other words, VWM does not have any commitments or understandings to trade with specific brokers or trading counterparties or to generate a specified level of business with a particular broker or trading counterparty to receive certain goods or services. However, at times, VWM uses broker-dealers that provide (without being requested to do so) research or other products or services provided by these broker-dealers. In such instances, VWM receives a benefit because it does not have to produce or pay for the research or other products or services.

This research is used for all client accounts. This research may include a wide variety of reports, charts, publications, or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to research, certain counterparties may provide invitations to attend conferences and meetings with management representatives of issuers or with other analysts and specialists.

The receipt of such research creates a conflict of interest. Even though no soft dollar arrangements are in place, VWM has an incentive to select broker-dealers based on its interest

in receiving the research or other products or services, rather than on clients' interest in receiving the most favorable execution.

#### Software and Support Provided by Financial Institutions

In addition to the research products and/or services discussed above, VWM at times receives from certain custodians, without cost, computer software, related systems support and other services. At times, VWM receives the software, related support, and other services without cost because VWM renders asset management services to clients that, in the aggregate, maintain a certain level of assets at certain custodians. Clients should be aware that VWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits incentivize VWM to recommend the services of a certain custodian over another custodian that does not furnish similar software, systems support, or services.

At times, VWM receives the following benefits from certain custodians: receipt of duplicate client confirmations and bundled duplicate statements; access to a designated trading desk for institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

#### Brokerage for Client Referrals

In selecting broker-dealers, VWM does not consider whether it receives referrals from a broker-dealer and does not direct client transactions to a broker-dealer in return for client referrals.

Please see the disclosure in Item 14 of this Brochure (Client Referrals and Other Compensation) about Charles Schwab & Co., Inc. – "The Schwab Adviser Network."

#### Directed Brokerage

In general, clients are required to open a brokerage/custody account through VFM, which is introduced to, and carried by, a third-party custodian, Pershing. VWM has an incentive to use VFM as the introducing broker for its clients' accounts because any compensation paid by VWM for carrying, confirming, and servicing these accounts will be provided to an affiliate rather than a third party.

Clients, including, but not limited to, institutional clients, and clients that maintained an account with a custodian other than Pershing prior to the combination of VFM's and Hallmark's advisory businesses can choose to open a brokerage/custody account at a third-party custodian...

When VWM or a client designates the use of a specific broker-dealer and/or utilizes a specific broker-dealer as a custodian:

- VWM may or may not be able to negotiate commission rates on the client's behalf and, as a result, the client may pay higher or lower commissions, depending upon the client's arrangements with the broker-dealer.
- The client may receive higher or lower prices than non-directed clients receive.
- Trading will usually not commence for directed trading clients until after the completion of a particular transaction for clients without such restrictions; therefore, higher, or lower prices may result for directed accounts. A client who places custody with a brokerage firm is, by virtue of such arrangement, a directed trading account. Orders for such an account, if eligible for prime broker execution, may be aggregated

along with non-directed trading clients for purposes of block trading at a broker of VWM's choosing. VWM is not obligated to aggregate prime broker eligible and non-directed clients in any single transaction but may do so if VWM believes that favorable market conditions exist at the time of the transaction.

With respect to certain transactions, including, without limitation, block trades in which VWM aggregates securities purchases or sales for a client account with those of one or more of its other clients, VWM may, pursuant to its duty to seek best execution, determine to execute using step-out transactions (also referred to as "trade-aways").

To the extent a client account trades fixed income securities, and the account is custodied at Pershing, VWM may use the bond trading desk of its affiliate, VFM, to source bonds for such account, and VFM charges a disclosed markup or markdown on the bonds. Accordingly, VWM has an incentive to use VFM over third parties to source bonds for client accounts because doing so will result in VWM's affiliate receiving additional compensation in the form of disclosed markups or markdowns on bonds.

## **B. Trade Aggregation/Allocation**

It is VWM's objective to allocate trading and investment opportunities among advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. VWM may purchase or sell a security for many clients, or client-related groups of accounts, for which the security is appropriate.

VWM may, but shall be under no obligation to, aggregate securities to be purchased or sold in an effort to obtain the most favorable price and/or lower brokerage commissions or obtain efficient executions. VWM will aggregate orders only when such aggregation is consistent with its duty to seek best execution and is consistent with the investment objectives of each client. VWM takes reasonable precautions to ensure that no client account will be unfairly favored over any other account. It is VWM's policy that each client that participates in a completed aggregated order will generally receive the average execution price of that trade. Partially completed orders are generally allocated on a pro-rata basis, depending upon the targeted equity exposure of each account, unless the pro-rata allocation results in a *de minimis* position, in which case that client could receive a full allocation.

On occasion, VWM will aggregate orders from directed trading accounts along with non-directed trading accounts to achieve a better overall execution for a purchase or sale, utilizing a broker of VWM's choosing. VWM's ability to include directed trading accounts may be limited or precluded by "Prime Broker" qualifications.

In certain situations, a client may not be able to participate in an aggregated order with VWM's other clients, for regulatory or other reasons. In these instances, VWM will ordinarily complete the aggregated order for its other clients first, and then execute a substantially equivalent order for the client that is unable to participate in the aggregated trade. This could disadvantage the client that is unable to participate in the aggregated order with respect to the prices at which its order is executed and the quantities of securities and instruments it may be able to buy and sell. Client orders that are excluded from aggregated orders may also pay higher brokerage commissions.

## **Item 13 - REVIEW OF ACCOUNTS**

### **Hallmark Investment Strategies**

#### Reviews

With respect to clients in the Hallmark Investment Strategies, VWM periodically reviews clients' financial circumstances, investment objectives and risk profile. Investment management accounts are monitored on a continuous basis by members of VWM's investment team. Changes are made to portfolios whenever they are considered advantageous to the client based upon changes in the assessment of a security's relative investment value, general market conditions or the client's objectives and circumstances. The investment team responsible for the Hallmark Investment Strategies consists of:

- Steven A. Tussi, First Vice President and Chief Investment Officer
- Matthew L. Grosser, Vice President and Portfolio Manager
- Leanne M. Polizzano, CFP®, Vice President and Portfolio Manager
- John J. D'Arco, CFA®, Vice President and Portfolio Manager
- Thomas R. Alonso, CFA®, Vice President and Portfolio Manager

Additional information regarding the qualifications and experience of VWM's investment team is available in the Brochure Supplement Part B which is provided separately.

#### Reports

With respect to clients in the Hallmark Investment Strategies, VWM provides clients with a written quarterly portfolio appraisal which includes a Summary of Changes in the Portfolio, an Executive Summary of Assets by Sector, a Portfolio Holdings report, a report of Portfolio Growth from inception, and an Economic and Market Commentary. Trade confirmations and/or periodic account statements are provided directly to Hallmark Investment Strategy clients independently of VWM by broker-dealers and the clients' custodians.

### **Financial Planning Services**

The goals and objectives of financial planning clients are reviewed as deemed necessary relative to each client's circumstances. The nature and frequency of reports for clients utilizing financial planning services are determined by the needs of each client. Updates to a financial plan or analysis will be prepared based on significant changes in a client's personal objectives, goals, or situation.

### **Wrap Programs**

#### Review of Accounts

With respect to clients in a Wrap Program, VWM, through its IARs, gathers information from a client about that client's financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client's financial situation and investment objectives.

Clients should notify their IAR of any changes in their financial situation, risk tolerance, investment objectives, or account restrictions.

#### Client Reports

Clients in a Wrap Program receive an account statement at least quarterly from their custodian. Performance reports are available upon request.

### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

#### **A. Economic Benefits**

VWM receives economic benefits from certain custodians for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest, and any such relationship is disclosed in response to Item 12 of this Brochure (Brokerage Practices). VWM receives an economic benefit from certain custodians in the form of the support products and services it makes available to VWM and other independent investment advisors whose clients maintain their accounts at such custodians. Clients do not pay more for assets maintained at such custodians because of these arrangements. However, VWM benefits from the referral arrangement because the cost of these services would otherwise be borne directly by VWM. The products and services provided by certain custodians, how they benefit us, and the related conflicts of interest are described in Item 12 of this Brochure (Brokerage Practices).

#### **B. Client Referrals**

##### Charles Schwab & Co., Inc. - "The Schwab Adviser Network"

Previously, with respect to the Hallmark Investment Strategies, VWM (formerly Hallmark) received client referrals from Schwab through its participation in the Schwab Adviser Network® ("the Service"). The Service is designed to help investors find an investment adviser. Schwab is a broker-dealer independent of and unaffiliated with VWM. Schwab does not supervise VWM and has no responsibility for VWM's management of clients' portfolios or VWM's other advice or services. VWM continues to pay Schwab fees related to clients received through the Service. VWM's continued modified participation in the Service raises potential and actual conflicts of interest described below.

VWM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all referred accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by VWM is calculated as a percentage of the fees the client owes to VWM when the investor was referred to VWM and became a client prior to January 1, 2007, or a percentage of the value of the assets in the client's account, if the investor became a client of VWM on or after January 1, 2007, with each payment type subject to a minimum Participation Fee.

For clients who began having their account managed by VWM through the Service prior to January 1, 2007, Hallmark pays Schwab a Participation Fee equal to 0.15% (15 basis points) of the fee the client owes to VWM each quarter.

For clients who began having their account managed by VWM on or after January 7, 2007, the Participation Fee is calculated as a percentage of the value of the clients' assets as follows:

within each asset tier below, the average daily balance in the Schwab account during the quarter is multiplied by one quarter of the applicable percentage rate.

First \$2 million	0.25% (25 basis points)
Next \$3 million	0.20% (20 basis points)
Next \$5 million	0.15% (15 basis points)
Amount over \$10 million	0.10% (10 basis points)

VWM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to VWM quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by VWM and not by the client. VWM has agreed not to charge clients through the Service fees or costs greater than the fees or costs VWM charges clients with similar portfolios who were not referred by the Service.

VWM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with the custodian other than Schwab. The Non-Schwab Custody fee is higher than the Participation Fees VWM generally would pay in a single year. Thus, VWM has an incentive to recommend that client accounts be held in custody at Schwab.

The Participation Fee and Non-Schwab Custody Fees will be based on assets in accounts of VWM clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, VWM has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit VWM's fees directly from the accounts.

For accounts of VWM's clients maintained in custody at Schwab, Schwab does not charge the client separately for custody but receives compensation from VWM's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also receives a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, VWM has an incentive to cause trades to be executed through Schwab rather than another broker-dealer.

VWM, nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than the trades for VWM's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and prices than trades for other accounts that are executed at other broker dealers.

#### Inactive Valley National Bank Employee Referral Program

Valley National Bank, VWM's sole shareholder, previously sponsored an employee referral program that provided its employees with an economic benefit for referring a Valley National Bank customer to VWM (formerly Hallmark) for advisory services. Prior to 2016, Valley National Bank employees who referred a Valley National Bank customer to VWM who became a client of VWM, were provided a compensation choice of 30% of the first year fee paid to VWM, or 10% of the fee income each year, as long as the client remained a VWM client, and the

employee remained an active employee of Valley National Bank. Since 2016, the program has been amended to solely compensate Valley National Bank employees with a payment of 10% of the first year's fee income paid by the client to VWM. Although this program is currently inactive, VWM continues to make payments to eligible employees of Valley National Bank under both the original program's compensation terms, as well as the amended program's terms.

#### Important Note

Clients do not incur additional fees or costs because of compensation and referral fee payments for client referrals, as described above. Investment management fees remain the same regardless of any such compensation paid to promoters. VWM has sole discretion in accepting or declining client accounts referred under any referral agreement or program.

#### Wrap Programs

No person who is not a client provides an economic benefit to VWM for providing advisory services to its clients in the Wrap Programs. VWM does not compensate any person for client referrals to these Wrap Programs.

### **Item 15 – CUSTODY**

Client funds and securities are expected to be maintained in an account in the client's name with a "qualified custodian" as defined within rule 206(4)-2 under the Investment Advisers Act of 1940, as amended. VWM does not have physical custody of any funds or securities in the client's account. Clients generally authorize VWM to give their custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent, or other investment for the client's account, and authorize the custodian to accept such instructions.

Apart from the accounts managed by VWM through the sub-advisory agreement with Valley Trust, VWM is deemed to have custody solely because it is authorized to deduct investment management fees from client accounts. Clients receive a written statement directly from their custodian, at least quarterly, showing all transactions, including the deduction of investment management fees, occurring in the client's account during the period covered by the account statement, and shows the funds, securities, and other property in the client's account at the end of the period. Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information. VWM also urges clients to compare the account statements they receive from their custodians to the periodic appraisals provided by VWM.

Clients retain ownership of all assets in their accounts. Under no circumstances does VWM, its supervised persons or its employees have any right to withdraw, or otherwise access or take possession of, cash or securities from the client's account, *except as permitted for the direct deduction for payment of management fees as authorized by the client.*

#### Valley Trust Accounts

For the accounts managed by VWM through the sub-advisory agreement with Valley Trust, VWM is deemed to have custody of those assets because Valley Trust, a related person of VWM, performs certain custodial functions for those clients. VWM cannot overcome the presumption that it is operationally independent (pursuant to rule 206(4)-2(d)(5) under the Investment

Advisers Act of 1940, as amended) from Valley Trust because VWM shares the same physical location. Therefore, VWM is required to obtain a surprise annual examination of the client assets managed through the sub-advisory agreement with Valley Trust.

## **Item 16 - INVESTMENT DISCRETION**

### Hallmark Investment Strategies

For those client accounts invested in accordance with the Hallmark Investment Strategies, VWM requires that it be provided with written authority, e.g., limited power of attorney contained in the Investment Agreement, to manage securities accounts on behalf of clients. VWM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades for clients' accounts on their behalf so that VWM may promptly implement clients' investment guidelines and objectives. Clients may change or amend these guidelines and all such amendments will be confirmed in writing.

Clients retain ownership of all assets in their accounts.

### Wrap Programs

Investment discretion for each Wrap Program is discussed in the Wrap Program Brochure.

## **Item 17 - VOTING CLIENT SECURITIES**

### **Hallmark Investment Strategies**

#### Proxy Voting

For clients in the Hallmark Investment Strategies, voting proxies solicited by companies held in clients' portfolios is VWM's responsibility, unless a client reserves the right to do so as is often the case for clients who maintain a portfolio of primarily mutual funds and/or exchange-traded funds. Issues are reviewed on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of VWM in voting is to maximize shareholder value. On each issue, VWM will vote, or abstain from voting, in a prudent and diligent fashion and only after careful evaluation of the issues presented on the ballot in accordance with VWM's Proxy Voting Policies and Procedures.

In the event a proxy issue presents a potential conflict of interest between VWM and its clients, VWM is committed to placing the best interest of clients ahead of its own. VWM may take any of the following courses of action to resolve the conflict:

- Disclose the conflict to clients and obtain consent before voting;
- Suggest that clients engage another party to determine how the proxy should be voted;
- Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or a compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to inform VWM of their desired vote. VWM maintains the books and records of proxy votes cast and this information, as well as the full text of VWM's Proxy Voting Policies and Procedures, is available by written request.

### Legal Proceedings

Even when VWM has discretion over client accounts, VWM is not responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

### Abstention

VWM may abstain from voting a client proxy if it concludes that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant. VWM may abstain from voting a client proxy for cost reasons (e.g., costs associated with voting proxies of non-US securities). In accordance with VWM's fiduciary duties, it will weigh the costs and benefits of voting proxy proposals and make an informed decision with respect to whether voting a given proxy proposal is prudent. VWM's decision considers the effect that the vote of its clients, either by itself or together with other votes, is expected to have on the value of our client's investment and whether this expected effect would outweigh the cost of voting.

### **Wrap Programs**

In the VSP Wrap Program, VWM does not exercise authority to vote proxies and corporate actions on behalf of advisory clients. In the UMA Program, SMA managers within the UMA Program vote on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the SMA Program, the SMA manager votes on proxies and corporate actions on behalf of their clients pursuant to the Envestnet Form ADV Part 2A. In the VCA and VELA Programs, VWM does not have any authority to and does not vote proxies or corporate actions on behalf of advisory clients. In these Programs, the client retains the responsibility for receiving and voting proxies for any and all securities maintained in the client's portfolios. VWM may provide advice to the client regarding the client's voting of proxies and corporate actions.

## **Item 18 – FINANCIAL INFORMATION**

### **A. Prepayment of Fees**

Because VWM does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, VWM is not required to include a balance sheet with this Brochure.

### **B. Financial Condition**

VWM does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to our clients.

**C. Bankruptcy**

VWM has never been the subject of a bankruptcy petition.