

# DISCLOSURE STATEMENT

as amended, December 2011

## The Company

ITS Asset Management, L.P. ("ITS"), a limited partnership formed in 1995, successor to the investment advisory business of Investment Timing Services, Inc., a Pennsylvania corporation formed in 1970, is an investment advisory firm registered with the Securities and Exchange Commission, effective February 1971, under the rules and provisions of the Investment Advisors Act of 1940. ITS provides its services to individuals, corporations, pension/profit-sharing plans, trusts, estates, charitable organizations, as well as to other investment advisors. ITS provides investment advice on investment company securities as well as exchange-listed securities. The firm obtains analytical data from outside sources such as financial publications, fund rating services, research materials prepared by others, as well as other sources believed to be reliable. Its proprietary processes incorporate technical, fundamental, and cyclical methods to analyze this data.

## Management

ITS's Investment Advisory Committee collects and analyzes market, economic, investment, and other financial industry data. ITS's Agent for the General Partner, in the capacity of Committee Chairperson, reserves the authority to review and approve the investment sector selection data. Upon approval, and utilizing ITS's proprietary analytical processes, the remaining Committee members determine application of the data in effecting underlying investment selections for ITS's various management programs.

## Education/Business Standards

Jon W. Erdner, born November 4, 1942, serves as Agent for the General Partner of ITS, and is President and sole owner of Erdner Enterprises, Inc., the General Partner of ITS. He is a graduate of Kent State University and attended postgraduate studies in Economics at the University of Pittsburgh. Mr. Erdner served as a Portfolio Analyst and President for a family-owned holding company from June 1967 until joining ITS in August 1976. Mr. Erdner became the sole owner and Director of ITS in August 1988. In addition to determining and approving the advice offered to all ITS clients, he oversees all of the activities of the Company. Mr. Erdner holds the FINRA Series 7, 63, 24, and 65 exams. Also, from 1983 to 1993, Mr. Erdner served as a Director of First Home Savings, a Pittsburgh-based savings and loan association. He is currently listed in the Who's Who in Finance & Industry and the Who's Who Registry of Global Business Leaders.

Gary T. Jeffers, born June 19, 1950, serves as Chief Compliance Officer and Chief Financial Officer of ITS. He is a graduate of Northeastern University where he was an Accounting major, receiving a BS in Business Administration. He also attended Robert Morris University where he received a MS in Taxation. Mr. Jeffers holds the designation of CPA, and from January 1980 through April 2000, was a partner in the firm, Stelmack Jeffers & Dobransky, CPA's, before joining ITS in May 2000. Mr. Jeffers holds the FINRA Series 7, 24, 27, and 66 exams.

Because ITS's Investment Advisory Committee is involved in the collection, analysis, and application of various market, economic, investment, and other financial industry data to ITS's management programs, ITS requires each member to have a minimum of a four-year college degree with either dedicated concentration in Finance, Business, or Economics, or comparative employment experience in the financial industry. At its discretion, ITS may require passage of securities industry exams and/or other related professional designations.

## Industry Activities/Conflict of Interest/Participation or Interest in Client Transactions

ITS does not engage in any business other than that of investment advisor. ITS is not registered as a broker/dealer, nor does it sell or buy securities, effect securities transactions for compensation as a broker or agent, sell securities as agent or broker for another or any investment advisory client, nor recommend to clients or prospective clients the purchase or sale of securities in which ITS, directly or indirectly, has a position. ITS personnel may act on ITS's advice for their own account; however, only subsequent to conversions having been effected for clients' accounts.

Jon W. Erdner, as well as certain other ITS employees, are licensed registered securities representatives of unaffiliated broker/dealer firms; however, their primary occupation is the position each holds at ITS. In order to maintain FINRA-sponsored industry exams without expiration, current affiliation with a FINRA-member firm is required. The transaction of any brokerage-related business is conducted only on a very limited basis, if at all, under the supervision of the unaffiliated FINRA-member firm. It is possible that Jon Erdner and other ITS employees could receive securities transaction-based or trail compensation from the FINRA-member firm. ITS is not involved in nor does it receive compensation as a result of this activity. Brokerage clients of either Mr. Erdner or other ITS employees may or may not elect to become advisory clients of ITS. If so, disclosure materials regarding ITS are provided as a matter of regular procedure. Such clients receive the same services, utilize the same advisory fee schedule, and receive the same investment advice from ITS as any other ITS client utilizing an identical ITS strategy, custodian, and underlying investment vehicle. Mr. Erdner waives receipt of a solicitor's fee from ITS on any client accounts placed under the management of ITS. The primary reason for Mr. Erdner obtaining and maintaining securities licensure was to facilitate advisor registration of ITS in various states (ITS is now federally-regulated) with specific qualification requirements in place for "control" persons of the firm. Those other ITS employees who are licensed registered representatives as described heretofore do receive a solicitor's fee from ITS, payable through the FINRA-member firm or directly,

on client accounts placed under the management of ITS. The client-signed Solicitor's Separate Disclosure Statement provides the required disclosure to clients. As a result of ITS's transition [effectively completed in February 2010] away from offering its advisory services to new client accounts at investment and insurance company-direct custodial venues to offering its services only on accounts at preferred investment platforms using no-load, load-waived, no-transaction-fee, and fee-waived funds, ITS solicitors receive only the ITS solicitor fees and do not receive any securities transaction-based or trail compensation on such accounts. ITS's Employee Profit Sharing Plan utilizes ITS's management programs; thus, the plan receives identical investment advice as that offered ITS clients utilizing the same programs, investment platform, and investment vehicle. Barring any investment company policy that would restrict availability of any recommended individual fund with a client account, advice includes buying or selling the same funds as those bought and sold for client accounts. ITS's implementation of the advice for its own account(s) is effected in tandem with comparable (described above) client accounts.

## Privacy Policy

ITS strives for complete customer satisfaction, which includes respecting your right to privacy. Because we value the trust and confidence of our customers, we are committed to the management, use, and security of nonpublic personal information gathered from potential, existing, and former customers. You are a valued customer and we want you to know why we collect information about you and how your information is used. This section explains our practices and policies for handling your personal information and describes our commitment to protecting the information you provide to us. ITS will provide all customers with a copy of our privacy policy on an annual basis. As our management services continue to evolve, it may be necessary to review and revise our Privacy Policy, in which case we will provide you with an updated privacy notice. **COLLECTION OF NONPUBLIC CUSTOMER INFORMATION** - We gather and maintain nonpublic personal information only as is necessary for us to provide the non-personalized management services you request and to administer your business with us. Most information we collect is obtained directly from you on our applications or other forms. This information may include basic identifying information such as your name, address, tax identification number, telephone number, date of birth and other information. Additional information regarding your securities transactions may be obtained from the custodian of your account in order to administer only those of your assets placed under our management. **DISCLOSURE OF NONPUBLIC CUSTOMER INFORMATION** - ITS does not disclose or share nonpublic customer information with anyone or any firm except as permitted by law. ITS does not use customer information for any purpose other than to open and maintain your managed account, or to facilitate transactions. ITS uses various technologies made available to us by private companies in order to achieve these purposes. Only these private companies, as well as your independent ITS third-party solicitor (i.e. broker, financial planner, and his/her supervisory firm), if applicable, acting in a representative capacity on your behalf, and any compliance consulting firm utilized by ITS in our efforts to comply with current regulatory requirements, is a party to the information we gather in order to administer our management programs. On written request by your solicitor, ITS may disclose your personally identifiable and account information to a non-affiliated third-party vendor, so that your solicitor may access the information via data aggregation or financial planning software. If you prefer that ITS does not disclose your personal and account information to non-affiliated third parties, you may opt out of those disclosures (other than disclosures permitted by law). If you wish to opt out, you may send written notice to ITS. ITS will maintain the same standards of privacy after our customer relationship has ended and will only disclose information about former customers as described in this privacy policy. **CONFIDENTIALITY AND SECURITY OF NONPUBLIC CUSTOMER INFORMATION** - ITS dedicates significant resources to protect the security of your information. We use physical, electronic, and procedural safeguards to maintain the integrity of your information and guard against its unauthorized use. We restrict access to your information to only those employees who need to utilize this information in the administration of our management programs. These employees are required to follow our privacy procedures to ensure that your information is handled properly and used only for authorized purposes. **CUSTOMER ACCESS TO NONPUBLIC INFORMATION** - You may write to us if you have any questions about the information that we may have in our records about you. Questions concerning ITS's privacy policy may be directed to the Compliance Department of our firm.

## Code of Ethics

ITS places great value on its standing in the financial services industry. A successful firm retains the respect of its peers, competitors, clients, and prospective clients. To that end, ITS expects the highest ethical standards from all employees. Standards of conduct and character expected include honesty, integrity, competency, and willingness to work together in providing the best possible service to our clients.

## Prevention of Misuse of Material Nonpublic Information

Many individuals employed in the financial/investment industry, through contact with others in the industry or in the course of everyday business, have an increased ability to obtain or opportunity of learning material nonpublic ("insider") information. Such individuals are considered to be "access" persons by the SEC. Acting upon insider information for one's own or another's benefit is illegal. All of ITS's employees are considered to be access persons in that they have access to the following information considered to be material nonpublic information:

- ITS's advisory recommendations (i.e. "buy/sell" instructions; individual fund and/

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## DISCLOSURE STATEMENT (cont.)

or sector selections; sector weightings; portfolio allocations) and any component of our proprietary analytical processes by which our programs are implemented in managing client accounts.

- Nonpublic personal information of our clients such as account and/or policy numbers; PIN numbers; social security numbers; telephone numbers; addresses; account asset information such as holdings, values, and transaction activity.

The general scope of ITS's services is currently confined to a limited discretionary management of client accounts invested in mutual funds and subaccounts of variable annuity products, which are held at an investment, insurance, or trust company or on a brokerage platform. ITS also has the right to exercise its limited discretionary management of client accounts invested in individual equities. It is highly unlikely (though theoretically possible) for any individual, including an ITS employee, to own a substantial enough position in any individual security to affect the price of a mutual fund or the security itself; thus, a conflict of interest presenting the opportunity for misuse of nonpublic information that would negatively impact a client's account is equally remote in connection with the personal securities transactions of ITS's employees.

Nevertheless, in keeping with SEC guidelines, ITS's Code of Ethics policy relating to the Prevention of Misuse of Material Nonpublic Information requires compliance to the following:

- Employees are prohibited from acting on ITS's investment advice to move (buy or sell) or reallocate their personal account(s) in advance of the conversion or reallocation of the accounts of clients of ITS.
- Employees must report personal securities holdings annually and transactions in those holdings on a quarterly basis involving *reportable securities* only. All securities are reportable with the following exceptions: Shares of money market funds; shares of mutual funds; direct obligations of the U.S. government; money market instruments such as bankers' acceptances, bank CDs, commercial paper, repurchase agreements and other high quality short-term debt instruments; and units of a unit investment trust if the trust is invested exclusively in unaffiliated mutual funds. Annual holdings reports must be current as of a date not more than 45 days prior to the date of submission or from the date of becoming an access person of the firm. Quarterly transaction reports must be submitted within 30 days after calendar quarter end.
- Employees must obtain ITS's approval before investing in IPO's, limited offerings, or engaging in private placement.
- Employees must safeguard material nonpublic information and not disclose it to unauthorized sources.
- Employees must report any violation of ITS's Code of Ethics to the Chief Compliance Officer who will protect the anonymity of all employees.

ITS will provide a copy of its Code of Ethics to any client or prospective client on request.

### Account Review/Reporting Process

Market, economic, and related financial industry data obtained from outside sources and utilized by ITS's proprietary processes to generate investment advice in both the quarterly and market-driven programs is reviewed continuously with specific indicators reviewed on a daily, weekly, or monthly basis. ITS reviews the accuracy of the implementation of its investment advice (i.e. trade instructions), as carried out by the custodian, service provider, or clearing firm, either directly with these entities or through ITS's account data management system via direct data feeds from the account custodians. An annual client profiling update is recommended by ITS to be carried out by Client's financial professional. ITS provides a quarterly newsletter to each of its clients. Clients receive quarterly account statements directly from the custodian of their account(s) which provide information on all account activity.

### Conditions for Management

Assets to be managed must reside at/on a fund custodian/platform with which ITS, at its discretion, maintains third-party trading or management authority in order to implement its programs. Additionally, before acceptance of an account for management, ITS must be in receipt of each type of new account form as required by it, including client-signed acknowledgment of receipt of ITS disclosure information and Solicitor's Separate Disclosure Statement. Accounts must meet minimum account size requirements as specified by ITS. It is possible that an account will be accepted under the minimum required assets. The Agent for the General Partner of ITS will review these accounts for acceptance.

### Investment or Brokerage Discretion

ITS's strategies are available to mutual fund and equity investors through sales representatives (i.e. unaffiliated licensed registered representatives and other investment professionals and their supervisory broker/dealer, broker/dealer-Registered Investment Advisor, or Registered Investment Advisor firms, if applicable, that maintain a solicitation agreement with ITS; qualified employees). Selection of investment professional to utilize when seeking suitable investment products is solely at the discretion of the Client. ITS neither suggests brokers to Clients nor determines the commission rates, if applicable, generated by the purchase or sale of investment products or paid to investment professionals. No commissions or trading costs are generated when utilizing mutual funds with ITS's programs at the preferred

investment platforms as only no-load or load-waived and no-transaction-fee or transaction-fee-waived funds are selected by ITS. Where equities are utilized within ITS's managed portfolios, brokerage commissions (i.e. trading costs) resulting from ITS's quarterly or market-driven trades are paid by ITS rather than by the Client. As Client maintains discretion to select both the ITS program and custodial arrangement, Client is effectively electing the dealer through which securities purchases or sales will be executed. In select custodial arrangements, ITS may be provided options as to which dealer specific securities transactions will be directed. In the case where ITS is provided such option, a selection will be made that ITS expects to be the most cost-effective for the Client in specific situations where the Client will be assessed brokerage commissions (i.e. trading costs). Specific situations include a securities transfer-in-kind to the selected custodial investment platform that generates trading costs when the securities are sold to allow for allocation of the Client's assets into ITS's managed portfolio positions; and any Client-initiated redemption of managed assets.

By executing the ITS Client Agreement, Client grants ITS limited discretionary authority whereby ITS is authorized to effect fund selections, substitutions, redemptions, exchanges, and conversions of Client's managed funds, in amounts determined by ITS, in order to manage Client's investment in accordance with the terms of the ITS Client Agreement, without obtaining prior specific client consent for each purchase or sale. ITS implements its management strategies through trading instructions provided directly to the account custodian or its service provider. ITS accepts new business only at the approved custodial platforms; however, on a very limited basis, ITS may continue to manage accounts held directly at investment or insurance companies where the sales representative may be a registered representative of the broker/dealer of record on the Client's investment, and as such, will receive commissions and/or other income generated as a result of buys, sells, or reallocations effected by ITS in the implementation of its strategies. ITS does not receive any portion of these commissions or income.

### Proxy Voting

ITS does not assume the authority to nor does it engage in the voting of proxies on behalf of its clients.

### Compensation Arrangements

#### Solicitor Fees & Other Payments

ITS's advisory services are primarily marketed to clients and prospective clients by outside solicitors (i.e. unaffiliated advisory firms and their supervised representatives). Beyond determining the initial and ongoing suitability of ITS's advisory services for their clients and placing the client's assets under the management of ITS, the solicitors have no involvement with the investment decisions made or implemented by ITS for client accounts. In other words, solicitors have no advisory capacity on behalf of ITS. The solicitors do have a financial interest in the selection of ITS as Investment Advisor in that they will receive a solicitor fee equal to a percentage of the advisory fee paid by the client to ITS. Payment of solicitor fees is ongoing so long as the client remains under the management of ITS and a client of the solicitors. Solicitor fees are paid by ITS to the outside supervisory firm, which may retain a portion of said fees before disbursing the balance to its supervised solicitor(s). It is possible that certain outside solicitors may also receive ongoing compensation (12b-1 fees) generated from the underlying investment products held in some of their clients' managed accounts in addition to the solicitor fees received from ITS. This occurs on a very limited basis and only with accounts that were established using either the Constellation Non-Brokerage or specific investment or insurance company-direct platforms. These platforms are no longer available for new ITS accounts. Such compensation is paid by the investment product company through the solicitor's supervisory FINRA-member firm which distributes these fees to the solicitor.

ITS's advisory services may also be marketed to clients and prospective clients by inside solicitors (i.e. certain of ITS's employees who are licensed financial professionals); however, the primary occupation of the employee is the position held at ITS, with any solicitation activity incidental to and not a requirement of the position. ITS also has a related company, Four Coins Financial Services, LP, which provides services as an inside solicitor for two established client accounts. Inside solicitors, with the exception of Jon W. Erdner, hold no advisory capacity on behalf of ITS and are compensated directly via solicitor fees from ITS.

In addition to the solicitor fees as described above, certain of the outside firms, namely Madison Avenue Securities, Next Financial Group, and Sigma Planning Corporation, receive additional compensation from ITS through revenue sharing arrangements initiated by the outside firms. These firms may also have similar revenue sharing arrangements in place with other Investment Advisors in addition to ITS. ITS's revenue sharing payments to each of these firms are based on total client assets placed under the management of ITS by the supervised solicitors of each of the respective firms. The annual compensation rates are: Madison Avenue Securities—10 basis points; Next Financial Group—5 basis points; Sigma Planning Corporation—10 basis points. Revenue sharing is paid to these outside advisory firms on a quarterly basis and, if applicable, may be offset by certain marketing expense reimbursements paid to the outside firm by ITS. ITS also pays LPL Financial Corporation, in addition to solicitor fees, a technology fee for its services in the integration of client account data on LPL's technology system. The technology fee is based on total client assets placed under the management of ITS by the supervised solicitors of LPL, and is calculated at an annual rate of 10 basis points.

The revenue sharing and technology fee arrangements have no bearing on the services provided by ITS to clients of the outside firms, nor do clients of the firms pay

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any additional advisory fees or costs to ITS as a result of the arrangements. While the individual solicitor recommending ITS's services to his/her clients is not directly compensated through the revenue sharing or technology fee arrangement, this type of arrangement may be perceived to create a conflict of interest in that it creates an incentive for the firms receiving the payments to internally promote or recommend the services of ITS or other Investment Advisors where such a compensation arrangement exists.

### Subadvisory Relationships

ITS maintains an arrangement with HBW Advisory Services, LLC ("HBW"), a registered investment advisor, wherein ITS provides services as a sub-advisor to HBW. There is no affiliation between ITS and HBW. HBW has engaged the services of ITS in connection with Trust Company of America's ("TCA") Multi Manager Unified Account Program. ITS provides and maintains its model investment portfolios, including sector allocations and underlying mutual fund selection data on an ongoing quarterly basis, using the TCA advisor mutual fund platform and software. This function involves the reallocation of total aggregate HBW client assets assigned to the model portfolios. Otherwise, ITS provides no other advisory services to HBW. HBW, in its role as direct advisor to its clients, assumes the responsibility of assigning client accounts to various sub-advisors, model portfolios, allocating new monies, processing withdrawals, and other administrative functions. Client accounts assigned to the ITS model portfolios remain clients of HBW and are not clients of ITS. ITS is compensated by HBW in the form of a management fee, paid quarterly in arrears, which is a percentage of the average value of assets in the ITS model portfolios during the preceding quarter.

### Economic Benefits

Mutual funds paying 12(b)-1 and/or other administrative fees may be selected by ITS for utilization in Client accounts held at various investment platforms. Fund selection via ITS's screening/ranking process is based on criteria not inclusive of whether such fees are generated by mutual funds. ITS may receive an economic benefit in the form of a reduction in custodial service charges when the account custodian elects to use these fees to offset such charges to the investment advisor of record. ITS's advisory fee to the Client is the same whether funds paying 12(b)-1 and/or other administrative fees are used or whether funds are selected that do not pay such fees.

Additionally, from time to time, ITS employees may be invited to attend seminars, meetings, and/or training sessions by parties (i.e. investment and/or account custodians, data service providers, etc.) having a direct relationship with Client accounts wherein the costs associated with ITS attending such meetings are borne by the party extending the invitation.

### Available Strategies

ITS offers the Asset Analyzer II and the Premier Asset Analyzer, quarterly-driven asset allocation strategies, as well as the Capital Trends Analyzer and Capital Income Plus, market-driven management strategies. All of the strategies may utilize mutual funds and/or exchange-traded funds to provide diversification among various market sectors. Additionally, up to two strategies, or underlying portfolios if applicable, may be utilized in a single account, but only where available and in accordance with account size minimums and account percentage splits as approved by ITS. For all accounts, using any strategy(ies), ITS retains the authority to implement the initial sector selection and allocation of the Client's account among individual funds/subaccounts, as well as the authority to effect subsequent selections, trades, and/or reallocations without obtaining prior Client consent. Client's account may be subject to a static 1% money market allocation to maintain sufficient liquidity for management fee deduction. If applicable, the 1% allocation is taken equally from each of the program model's sector allocations, slightly reducing stated program sector weightings. ITS exercises authority to make fund substitutions when necessary in an effort to replace underperforming funds in accordance with output from ITS's proprietary fund selection and rating system, or to replace funds that have become restricted or no longer available for use with ITS's management service, or to utilize as an alternate investment should a fund or platform-imposed holding period interfere with any program fund selection or reallocation function. Fund selections are made by ITS from the universe of funds made available by the custodian preselected by the Client, and after application of ITS's proprietary screening/elimination process. ITS will not effect transfers of accounts or portions of accounts from one custodian to another, nor from one ITS strategy to another, without prior written instruction or confirmation of the Client, which must be accompanied by Client signature. Accounts using the same custodial platform and ITS strategy, while allocated identically to the same sectors, may hold different underlying individual funds. There is the possibility that trades/reallocations effected by ITS in its strategies may result in short-term capital gains or losses, and dividend receipt may be irregular. Client recognizes that there is no assurance as to the accuracy of fund and/or sector selection/weighting decisions nor in the timing of trade decisions in ITS's management strategies. Any market losses resulting from such decisions are normal market risks and the risks of the Client.

The following strategies are open to new accounts:

**ASSET ANALYZER II** - The Asset Analyzer II program offers either a static or non-static portfolio utilization method. Both methods incorporate model portfolios, each with different sector weightings and risk/return parameters. In the non-static method, a conservative, moderate, or growth approach may be selected. Within each approach, a range of model portfolios is utilized to allow for varying degrees of exposure to fixed income and/or money market funds, and equity funds. ITS exercises authority to move Client's account between the available range of portfolios within the chosen approach at its discretion without prior approval of Client selecting

the non-static portfolio utilization method. In the static portfolio utilization method, Client may elect to choose one of the available model portfolios to use on an ongoing basis. ITS will not move Client's account to another model portfolio without prior instruction of the Client. Asset Analyzer II incorporates a quarterly rebalancing and reallocation process which determines optimum weightings for the underlying funds. This process employs proprietary analytics to quantify fund selection with consideration given to market cap and fund style. Sector weightings may be readjusted by ITS, at its discretion, dependent on market conditions and sector performance. The goal is to reduce exposure to underperforming funds as well as maintaining the risk/return parameters of the portfolios. An annual reminder to the Client helps to determine if there is a need for a change in approach or portfolio selection; however, Client assumes the responsibility of notifying his/her financial professional or ITS should Client's financial situation change sufficiently to warrant an immediate change in selection.

**PREMIER ASSET ANALYZER** - The Premier Asset Analyzer program rotates account assets quarterly among a broad array of market sectors ranging from the very conservative to the very aggressive resulting in an approach that may change from conservative to growth-oriented, and vice versa, on an ongoing basis. ITS analyzes a wide array of market sectors which include, but are not limited to emerging markets, commodities, natural resources, and money markets. Fund selection is based on fundamentals, momentum, market sectors, and underlying fund styles within each market sector. A proprietary analytical review process is conducted on a quarterly basis to determine the relative strength of each asset class and market cap. Results of the review process are used to determine how much should be invested in each asset class and management style, thus the amount positioned in each investment is quantified. Accounts are readjusted quarterly based on market changes.

**CAPITAL TRENDS ANALYZER** - The Capital Trends Analyzer offers a diversified portfolio featuring flexible weighting among funds/market sectors as well as fund monitoring and selection. ITS exercises authority to determine the individual funds to be utilized within the program. Conversions are effected, at the discretion of ITS, between individual invested funds and a common money market fund in accordance with buy/sell indications generated by ITS's proprietary analytical processes. ITS reserves the right to effect conversions according to the custodian's guidelines, as well as the right to convert all or a portion of the Client's account at the discretion of ITS without notice to Client. ITS exercises authority to implement changes in the weighting among the individual funds/sectors as well as the authority to determine which funds will be utilized on an ongoing basis within the program.

**CAPITAL INCOME PLUS** - The Capital Income Plus program offers a diversified portfolio with a primary focus towards investment in bond funds. The Core portfolio consists of selected bond fund investments positioned in up to six equally-weighted sectors. Additional return and capital appreciation may be sought in other asset classes and sectors outside of the fixed income realm by converting one of the Core sectors to a satellite position of equity funds when ITS determines economic and market conditions warrant this exposure. ITS utilizes its proprietary analytics to determine investment selections within each sector. Capital Income Plus incorporates a market-driven decision-making process along with periodic rebalancing to maintain the risk/return/yield parameters of the portfolio. Number of sectors and the weightings thereof may be readjusted by ITS at its discretion dependent on economic conditions and sector performance. The primary goal is to produce income and total return by reducing exposure to underperforming bond funds and managing risk through the low correlation of the sectors selected.

### Custodial Arrangements for Available Strategies

Each ITS strategy is available for utilization with a limited variety of custodians, depending on factors such as account size, trading restrictions, and investment choices offered through the custodian in order to implement the program to its designed potential. Account and/or investment custodians and administrators for new business include Constellation Trust Company ("Constellation"); Fidelity Brokerage Services, LLC and Fidelity Investments Institutional Brokerage Group, a division of Fidelity Brokerage Services, LLC, member NYSE/SIPC ("Fidelity"); Matrix Settlement and Clearance Services, LLC ("Matrix"); Millennium Trust Company, LLC ("Millennium"); Nationwide Trust Company, FSB, a division of Nationwide Financial Services, Inc. Nationwide Investment Services Corp., member FINRA/SIPC ("Nationwide"); Pershing Advisor Solutions, LLC, a subsidiary of Bank of New York Mellon and an affiliate of Pershing, LLC, member FINRA/NYSE/SIPC; TCAAdvisors Network, member FINRA/SIPC, an affiliate of Trust Company of America, member FDIC; as well as other brokerage platforms as approved by ITS.

### Program Implementation

When ITS's strategies are utilized in conjunction with the variable annuity product of an insurance company custodian, or, in limited circumstances as approved by ITS, with select mutual fund products available through Constellation, Client, at his/her discretion, will have selected and purchased the insurance or investment company product. ITS will implement its programs using individual funds available under that insurance or investment company product. When utilizing ITS's strategies in conjunction with the available platforms, ITS will implement its programs using select individual funds offered by many investment companies whose products are available within the platform's fund universe once Client makes initial investment with the applicable custodian.

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It should be noted that hold periods may be imposed on a platform-wide as well as individual prospectus-level basis by some custodians and the underlying investment companies. During such hold periods, redemption activity is restricted and may result in charges to the Client imposed by the custodian or investment company. Compliance with these hold periods by ITS may delay initial allocation of any or all portion(s) of the account into the current chosen invested position(s), as well as allocation of additional account contributions, if the applicable hold period interferes with ITS's next scheduled quarterly program reallocation/rebalancing activity. Accounts, or portions thereof, affected by a hold period will reside in the custodial cash account or substitute fund(s) selected at the discretion of ITS, unless directed otherwise in writing by Client, during this period allowing for purchase into the coming quarter's chosen invested position(s) once ITS's quarterly reallocation is effected. ITS retains an Agreement directly with account custodians and/or administrators through which ITS provides its buy, sell, allocation, and reallocation instructions. These transactions are carried out by the custodian, its service provider, or clearing firm. ITS does not aggregate purchases or sales for multiple clients in a single transaction.

**Custodial Costs/Charges**

Costs/charges of custodian/brokerage platforms may vary. Charges may include but not be limited to transaction fees, sales/redemption charges, service charges for exchange of shares below set minimum requirements, and termination or transfer charges. In addition, Client is also subject to the internal management expenses of investment and insurance companies which are reflected in the purchase price of fund shares and variable annuity/life subaccount units. ITS has no control over the amount of such fees/charges/expenses nor does it share in the receipt of any part of these fees/charges/expenses. Due to ITS's use of only no-load or load-waived and no-transaction-fee or transaction-fee-waived mutual funds, there are no sales charges or transaction costs when mutual funds are bought, exchanged, or sold as a result of ITS's strategies on the approved custodial platforms. ITS pays the trading costs associated with its quarterly and/or market-driven trades in equities in its managed portfolios. ITS exercises diligence in making investment selections and conducting transactions in compliance with prospectus limitations to avoid fees/charges to Client's account, but cannot guarantee the absence of such charges for the perpetuity of Client's account.

All fees/charges generated due to Client-initiated purchases or redemptions, including Client-requested monthly withdrawals/distributions, are the responsibility of the Client as are costs associated with the sale of equities, that were transferred-in-kind, for allocation on the custodial platform to be used for Client's ITS-managed assets. Initial investment at public offering price into the Constellation "mini-platform" (not applicable to Constellation institutional brokerage platform) could result in forfeiture of sales charge reductions when account assets allocated across multiple mutual fund families do not meet breakpoints established by each mutual fund.

**ITS Advisory Fees for Available Strategies**

Payment of ITS's advisory fee shall be made through the redemption of shares from Client's managed account. Custodians distribute advisory fees collected for ITS-managed accounts to ITS. ITS compensates the sales representative(s) of record on the accounts through the payment of solicitor/referral fees equal to a percentage of the advisory fees payable by the Client to ITS.

	Account Minimums*	
	Mutual Funds	ETF's
Premier Asset Analyzer	\$ 30,000	\$250,000
Asset Analyzer II	\$ 30,000	\$250,000
Capital Income Plus	\$ 30,000	n/a
Capital Trends Analyzer	\$ 30,000	\$100,000

\*Account minimum requirements shown are identical regardless of custodian chosen, with the exception of individual participant accounts within retirement plans at available retirement plan custodial platforms. ETF's are available at FIWS only.

**Fee Schedules**

Following are the ITS fee schedules with variations as noted dependent on custodial arrangement. Dependent on custodian and ITS program, accounts meeting or exceeding a valuation threshold determined at the discretion of ITS are eligible for a reduced advisory fee which becomes available on an elective reduction in the solicitor/referral fee by the submitting sales representative. All reduced advisory fee arrangements are subject to the approval of ITS. No accounts will be accepted under the stated program minimum size except as mentioned in the footnote to program minimums above. Special fee and compensation arrangements may exist, at the discretion of ITS and meeting production or account asset levels, and/or other requirements imposed by ITS, applicable to select sales representatives of ITS and their clients referred to ITS. On the personal accounts of solicitors, the referral fee that is normally paid to the solicitor is waived, reducing the annual fee charged on such accounts.

PREMIER ASSET ANALYZER or ASSET ANALYZER II at Constellation, FIWS, Pershing, TCA [non-401(k)], Insurance Company

Current Fee Schedule (as of 6/01/08):

Annual Advisory Fee	2.00%*
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\*Advisory fee is identical for all account sizes. A reduced fee may be available under specified conditions.

Fee Schedule (in effect from 11/01/06 through 5/31/08):

Assets Under Management	Annual Advisory Fee*
\$ 50,000 to \$ 999,999	2.00%
\$ 1,000,000 and over	1.00%

\*Fee listed in both schedules above applies to entire account once account size reaches level shown under "Assets Under Management."

Fee Schedule (in effect through 10/31/06):

Assets Under Management	Annual Advisory Fee*
\$ 50,000 to \$ 99,999	2.00%
\$ 100,000 to \$ 499,999	1.50%
\$ 500,000 to \$ 999,999	1.25%
\$ 1,000,000 to \$ 1,999,999	1.00%
\$ 2,000,000 and over	Negotiable

PREMIER ASSET ANALYZER or ASSET ANALYZER II at Millennium Trust  
Annual Advisory Fee 2.00%\*

\*Advisory fee is identical for all account sizes. No reduction available.

PREMIER ASSET ANALYZER or ASSET ANALYZER II at Nationwide Qualified Plan Platform

Annual Advisory Fee (through 7/31/08)	0.90%*
Annual Advisory Fee (as of 8/01/08)	0.60%*

\*Advisory fee is identical for all account sizes. No reduction available. Participant accounts are also assessed an annual administrative fee not to exceed 0.40%. This fee is apportioned between the servicing agent and plan administrator. ITS does not retain any portion of the administrative fee.

PREMIER ASSET ANALYZER or ASSET ANALYZER II at FIWS or Matrix administered by NextStep for Qualified Plans

Annual Advisory Fee	1.40%*
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\*Advisory fee is identical for all account sizes. A reduced fee may be available based on plan size and other conditions. Participant accounts are also assessed annual administrative/custodial fees the aggregate of which varies based on selection of providers, plan size, as well as application of any fee offsets available. ITS does not receive or retain any portion of the administrative/custodial fees.

PREMIER ASSET ANALYZER, ASSET ANALYZER II, CAPITAL TRENDS ANALYZER, or CAPITAL INCOME PLUS at TCA 401(k) Plan Platform

Annual Advisory Fee	2.00%*
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\*Represents maximum advisory fee. A reduced fee may be available based on plan size and number of plan participants, as well as other conditions. Participant accounts are also assessed annual administrative/custodial fees the aggregate of which varies based on selection of providers, plan size and number of participants in plan, as well as application of any fee offsets available. ITS does not receive or retain any portion of the administrative/custodial fees.

CAPITAL TRENDS ANALYZER at all platforms where available [except TCA 401(k) Plan Platform—see appropriate fee schedule]

Current Fee Schedule (as of 6/01/08):

Annual Advisory Fee	2.00%*
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\*Advisory fee is identical for all account sizes. A reduced fee may be available under specified conditions.

Fee Schedule (in effect from 11/01/06 through 5/31/08):

Assets Under Management	Annual Advisory Fee*
\$ 10,000 to \$ 999,999	2.00%
\$ 1,000,000 and over	1.00%

\*Fee listed applies to entire account once account size reaches level shown under "Assets Under Management."

CLIENT RETAIN FOR YOUR RECORDS

## DISCLOSURE STATEMENT (cont.)

Fee Schedule (in effect through 10/31/06):

Assets Under Management	Annual Advisory Fee
\$ 10,000 to \$ 499,999	2.00%
\$ 500,000 to \$ 1,999,999	2.00% of \$500,000 + 1.00% amt over \$500,000
\$ 2,000,000 and over	Negotiable

CAPITAL INCOME PLUS at all platforms where available [except TCA 401(k) Plan Platform—see appropriate fee schedule]

Annual Advisory Fee 1.00%

\*Advisory fee is identical for all account sizes. No reduction available.

ITS has an arrangement with Fidelity Brokerage Services, LLC and the acknowledgment of USAirways whereby ITS's Premier Asset Analyzer and Asset Analyzer II management programs are available to individual participants in select USAirways retirement savings plans and limited to the self-directed portion of their accounts. The annual ITS advisory fee is 1.00% and is identical for all account sizes.

In connection with established agreements with qualified plan sponsors wherein ITS's management programs are approved and made available to plan participants by the plan sponsor, ITS may also provide a limited advisory service for plan participants who elect to self direct their plan account assets in lieu of contracting with ITS for management services. The limited service is available only at select qualified plan platforms, and in accordance with investment/management options for plan participants as outlined within the qualified plan documents. The limited advisory service provided by ITS consists solely of the compilation of a diversified selection of investment products available on the qualified plan platform from which self-directing participants, at their discretion, may make investment selections. ITS provides no other advisory services to these plan participants. ITS will also conduct an annual review of this investment universe for self-directors and effect updates to the list of available selections, if warranted. ITS charges a reduced fee, from that charged for subscription to its management programs, for the limited advisory service.

**Billing/Cancellation Procedure** - Accounts at Constellation, FIWS, Insurance Company, Pershing, and TCA [non-401(k)] are billed quarterly in advance. Quarterly fees are based on the market value of the account on the last business day of the calendar quarter and are calculated at a rate of one-quarter of the annual rate shown above for these strategies at the applicable custodian. Fees are payable (a) for the first quarter upon signing the Agreement; (b) for additional amounts when deposited (prorated to next quarterly billing date); and (c) for subsequent quarters, fifteen days after each billing date.

Accounts at Nationwide, Millennium, TCA 401(k), and those administered by NextStep are billed quarterly in arrears. Fees on Nationwide and TCA accounts are determined and assessed on the account balance on a daily basis, accrued, and deducted quarterly in arrears based on the annual rate agreed upon by the plan sponsor. Fees on accounts administered by NextStep are assessed on the value of the account on the last business day of the calendar quarter and deducted quarterly in arrears based on the annual rate agreed upon by the plan sponsor. Certain qualified plan sponsors may elect to pay fees directly on behalf of plan participants. Fees on Millennium accounts are determined and assessed on the average daily account balance for the quarter and are deducted quarterly in arrears based on the annual rate shown above for Millennium. Fees are payable for the first and subsequent quarters, as well as for additional amounts deposited intra-quarter, within fifteen days after each calendar quarter end.

For all strategies, the Client may cancel the Agreement without penalty of fees from ITS within five business days after signing the New Account Application by providing written request; otherwise, the Agreement shall remain in effect until such time as either party to the Agreement receives written notice from the other party of its desire to cancel the Agreement. Cancellation requests must be accompanied by Client signature; ITS will not terminate its management of a Client's account solely upon the request of the solicitor of record on the managed account. Advisory fees shall be accrued to the date of receipt of such notice. Fees will be refunded on a prorated basis on prepaid accounts. On accounts where the advisory fee is paid or liquidated in arrears, a prorated fee will be deducted from the account balance prior to cancellation of ITS's services. In relation to account partial withdrawals, no adjustments to prepaid fees are made for monies withdrawn during the advisory fee period.

### **Undertakings**

ITS shall annually make available to each of its clients, upon written request, a copy of its Disclosure Statement and audited balance sheet as of fiscal year end. In addition, ITS shall, in accordance with the guidelines established by the SEC, disclose to each of its clients certain material changes, if applicable, to its financial and/or disciplinary record. ITS is a limited partnership and, as such, will undertake to notify its clients of any change in the membership status of the partnership. ITS does not disclose nonpublic customer information to anyone or any firm except as permitted by law, and will annually deliver its Privacy Policy to all clients. The information regarding ITS contained herein (the same included in Part II of Form ADV as filed with the SEC), a copy of which is available from ITS, has not been passed upon or approved by the SEC nor has the SEC passed upon or approved the qualifications or business practices of ITS.

CLIENT RETAIN FOR YOUR RECORDS