

Proxy Voting Policy

When Victory Capital Management Inc. ("Victory") client accounts hold stock that Victory is obligated to vote, the voting authority will be exercised in accordance with:

- the direction and guidance, if any, provided by the document establishing the account relationship
- principles of fiduciary law and Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. Both require Victory to act in the best interests of the account. In voting such stock, Victory will exercise the care, skill, prudence, and diligence a prudent person would use, considering the aims, objectives, and guidance provided by the documents governing the account.

Victory votes client securities in the best interests of the client. In general, this entails voting client proxies with the objective of increasing the long-term economic value of client assets.* In determining the best interests of the account, Victory considers, among other things, the effect of the proposal on the underlying value of the securities (including the effect on marketability of the securities and the effect of the proposal on future prospects of the issuer), the composition and effectiveness of the issuer's board of directors, the issuer's corporate governance practices, and the quality of communications from the issuer to its shareholders.

Where Victory has an obligation to vote client proxies:

- reasonable efforts will be made to monitor and keep abreast of corporate actions
- all stock, whether by proxy or in person, will be voted, provided there is sufficient time and information available
- a written record of such voting will be kept by Victory or its designated affiliate
- Non-routine proposals not covered by the Guidelines or involving other special circumstances will be evaluated on a case-by-case basis with input from the appropriate Victory analyst(s) or portfolio manager(s), as applicable, subject to review by an attorney within Victory's law group and a member of senior management.
- the Proxy and Corporate Activities Committee (the "Proxy Committee") will supervise the voting of client securities. In all cases, the ultimate voting decision and responsibility rests with the members of the Proxy Committee.

Statement of Corporate Governance

The rights associated with stock ownership are as valuable as any other financial assets. As such, they must be managed in the same manner. Victory has established voting guidelines that seek to protect these rights while attempting to maximize the value of the underlying securities.

Proxy Voting Procedure

The Proxy Committee determines how proxies will be voted. Decisions are based exclusively with the best interest with the shareholders in mind.

Voting may be executed through administrative screening per established guidelines with oversight by the Proxy Committee or upon vote by a quorum of the Proxy Committee.

Victory's investment research department's opinion concerning the management and prospects of the issuer may be taken into account in determining whether a vote for or against a proposal is in the client's best interests. Insufficient

* Note: "Clients" include, without limitation, separately managed accounts, mutual funds, and other accounts and funds for which Victory serves as investment adviser or sub-adviser. Victory's entire Policy and Procedures are available upon request via our website at www.victoryconnect.com, or by e-mailing us at Compliance_Victory@victoryconnect.com. Information on how to obtain voting records can also be found on www.victoryconnect.com.

information, onerous requests or vague, ambiguous wording may indicate that a vote against a proposal is appropriate, even when the general principal appears to be reasonable.

The Proxy Committee is comprised of Victory employees who represent vital areas within the company and can provide a range of knowledge which enhances the committees decision making capabilities. Quorum exists when at least three voting committee members are either in attendance or participate remotely via video or teleconference. Approval is based on majority votes of committee.

Victory has engaged ISS (Institutional Shareholder Services) to perform the administrative tasks of receiving proxies and proxy statements, and voting proxies in accordance with the Victory Proxy Policy. In no circumstances shall ISS have the authority to vote proxies except in accordance with standing or specific instructions given to it by Victory.

Voting Guidelines

The following guidelines are intended to assist in voting proxies and are not to be considered rigid rules. The Proxy Committee is directed to apply these guidelines as appropriate. On occasion, however, a contrary vote may be warranted when such action is in the best interests of the account or if it is required under the documents governing the account.

The committee may also take into account independent third-party, general industry guidance or other governance board review sources when making decisions. The committee may additionally seek guidance from other senior internal sources with special expertise on a given topic, where it is appropriate.

When the Proxy Committee decides to vote against or to withhold a vote for a proposal which is generally approved, or votes in favor of a proposal which is generally opposed, the reason for the exception will be recorded.

The following is a discussion of selected proxy proposals which are considered periodically at annual meetings. Victory's general position with regard to such proposals is also included.

Corporate Actions

The Corporate Actions Group processes mandatory corporate actions. The Victory Proxy Analyst obtains recommendations from the Victory Portfolio Manager, Research Analyst or Proxy Committee on voluntary corporate actions and will post the recommendation to the Victory Capital Management Report Repository. The Victory Proxy Analyst will also send the recommendation to the Corporate Actions Group.

Routine/Miscellaneous Proposals

Adjourn Meeting

Generally vote AGAINST proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Soliciting Votes for Merger or Transaction

Vote FOR proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote AGAINST proposals if the wording is too vague or if the proposal includes "other business."

Amend Quorum Requirements

Vote AGAINST proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

Amend Minor Bylaws

Vote FOR bylaw or charter changes that are of a housekeeping nature (updates or corrections).

Change Company Name

Vote FOR proposals to change the corporate name.

Change Date, Time, or Location of Annual Meeting

Vote FOR management proposals to change the date, time, and/or location of the annual meeting unless the proposed change is unreasonable. Vote AGAINST shareholder proposals to change the date, time, and/or location of the annual meeting unless the current scheduling or location is unreasonable.

Other Business

Vote AGAINST proposals to approve other business when it appears as voting item.

Audit-Related**Auditor Indemnification and Limitation of Liability**

Consider the issue of auditor indemnification and limitation of liability CASE-BY-CASE. Factors to be assessed include, but are not limited to:

- The terms of the auditor agreement- the degree to which these agreements impact shareholders' rights;
- Motivation and rationale for establishing the agreements;
- Quality of disclosure; and
- Historical practices in the audit area.

WTHHOLD or vote AGAINST members of an audit committee in situations where there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Auditor Ratification

Victory expects a company to have completed its due diligence on the auditors; therefore, selection is approved. However, in cases where auditors have failed to render accurate financial statements, votes are withheld. A favorable position is given to auditors who receive more compensation from their audit engagement than other services with the company.

Vote FOR the ratification of auditors.

However, vote AGAINST in cases where auditors have failed to render accurate financial statements or where non-audit fees exceed audit fees.

Non-audit fees are excessive if:

- Non-audit ("other") fees >audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns, refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting should be added to "Other" fees. If the breakout of tax fees cannot be determined, add all tax fees to "Other" fees.

In circumstances where "Other" fees include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergence, and spin-offs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit/audit-related fees/tax compliance and preparation for purposes of determining whether non-audit fees are excessive.

Receiving and/or Approving Financial Reports

(This is a non-US issue)

Vote FOR approval of financial statements and director and auditor reports, unless:

- There are concerns about the accounts presented or audit procedures used; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed

Shareholder Proposals Limiting Non-Audit Services

Vote CASE-BY-CASE on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

Shareholder Proposals on Audit Firm Rotation

Vote CASE-BY-CASE on shareholder proposals asking for audit firm rotation, taking into account:

- The tenure of the audit firm;
- The length of rotation specified in the proposal;
- Any significant audit-related issues at the company;
- The number of Audit Committee meetings held each year;
- The number of financial experts serving on the committee; and
- Whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

Board of Directors

Voting on Director Nominees in Uncontested Elections

Votes on director nominees should be determined CASE-BY-CASE.

Four fundamental principles apply when determining votes on director nominees:

1. **Board Accountability:** Practices that promote accountability include: transparency into a company's governance practices; annual board elections; and providing shareholders the ability to remove problematic directors and to vote on takeover defenses or other charter/bylaw amendments. These practices help reduce the opportunity for management entrenchment.
2. **Board Responsiveness:** Directors should be responsive to shareholders, particularly in regard to shareholder proposals that receive a majority vote and to tender offers where a majority of shares are tendered. Furthermore, shareholders should expect directors to devote sufficient time and resources to oversight of the company.
3. **Director Independence:** Without independence from management, the board may be unwilling or unable to effectively set company strategy and scrutinize performance or executive compensation.
4. **Director Competence:** Companies should seek directors who can add value to the board through specific skills or expertise and who can devote sufficient time and commitment to serve effectively. While directors should not be constrained by arbitrary limits such as age or term limits, directors who are unable to attend board and committee meetings and/or who are overextended (i.e. serving on too many boards) raise concern on the director's ability to effectively serve in shareholders' best interests.

1. Board Accountability

VOTE WITHHOLD/AGAINST¹ the entire board of directors (except new nominees², who should be considered CASE-BY-CASE), for the following:

Problematic Takeover Defenses:

Classified board structure:

- 1.1. The board is classified, and a continuing director responsible for a problematic governance issue at the board/committee level that would warrant a withhold/against vote recommendation is not up for election -- any or all appropriate nominees (except new) may be held accountable;

¹ In general, companies with a plurality vote standard use "Withhold" as the valid contrary vote option in director elections; companies with a majority vote standard use "Against". However, it will vary by company and the proxy must be checked to determine the valid contrary vote option for the particular company.

² A "new nominee" is any current nominee who has not already been elected by shareholders and who joined the board after the problematic action in question transpired. If Victory cannot determine whether the nominee joined the board before or after the problematic action transpired, the nominee will be considered a "new nominee" if he or she joined the board within the 12 months prior to the upcoming shareholder meeting.

Director Performance Evaluation:

1.2. The board lacks accountability and oversight, coupled with sustained poor performance relative to peers.

Sustained poor performance is measured by one- and three-year total shareholder returns in the bottom half of a company's four-digit GICS industry group (Russell 3000 companies only). Take into consideration the company's five-year total shareholder return and operational metrics. Problematic provisions include but are not limited to:

- A classified board structure;
- A supermajority vote requirement;
- Either a plurality vote standard in uncontested director elections or a majority vote standard with no plurality carve-out for contested elections;
- The inability for shareholders to call special meetings;
- The inability for shareholders to act by written consent;
- A dual-class capital structure; and/or
- A non-shareholder approved poison pill.

Poison Pills:

1.3. The company's poison pill has a "dead-hand" or "modified dead-hand" feature. Vote withhold/against every year until this feature is removed;

1.4. The board adopts a poison pill with a term of more than 12 months ("long-term pill"), or renews any existing pill, including any "short-term" pill (12 months or less), without shareholder approval. A commitment or policy that puts a newly-adopted pill to a binding shareholder vote may potentially offset an adverse vote recommendation. Review such companies with classified boards every year, and such companies with annually-elected boards at least once every three years, and vote AGAINST or WITHHOLD votes from all nominees if the company still maintains a non-shareholder-approved poison pill. This policy applies to all companies adopting or renewing pills after the announcement of this policy (Nov 19, 2009);

1.5. The board makes a material adverse change to an existing poison pill without shareholder approval.

Vote CASE-BY-CASE on all nominees if:

1.6. the board adopts a poison pill with a term of 12 months or less ("short-term pill") without shareholder approval, taking into account the following factors:

- The date of the pill's adoption relative to the date of the next meeting of shareholders- i.e. whether the company had time to put the pill on ballot for shareholder ratification given the circumstances;
- The issuer's rationale;
- The issuer's governance structure and practices; and
- The issuer's track record of accountability to shareholders.

Problematic Audit-Related Practices

Generally, vote AGAINST or WITHHOLD from the members of the Audit Committee if:

1.7. The non-audit fees paid to the auditor are excessive (see discussion under "Auditor Ratification");

1.8. The company receives an adverse opinion on the company's financial statements from its auditor; or

1.9. There is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

Vote CASE-BY-CASE on members of the Audit Committee and/or the full board if:

1.10. Poor accounting practices are identified that rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures. Examine the severity, breadth, chronological sequence and duration, as well as the company's efforts at remediation or corrective actions, in determining whether WITHHOLD/AGAINST votes are warranted.

Problematic Compensation Practices

In the absence of an Advisory Vote on Executive Compensation ballot item or in egregious situations, vote AGAINST or WITHHOLD from the members of the Compensation Committee and potentially the full board if:

1.11. There is a significant misalignment between CEO pay and company performance (pay for performance);

- 1.12. The company maintains significant problematic pay practices;
- 1.13. The board exhibits a significant level of poor communication and responsiveness to shareholders;
- 1.14. The company fails to submit one-time transfers of stock options to a shareholder vote; or
- 1.15. The company fails to fulfill the terms of a burn rate commitment made to shareholders.

Vote CASE-BY-CASE on Compensation Committee members (or, in exceptional cases, the full board) and the Management Say-on-Pay proposal if:

- 1.16. The company's previous say-on-pay proposal received the support of less than 70 percent of votes cast, taking into account:
 - The company's response, including:
 - Disclosure of engagement efforts with major institutional investors regarding the issues that contributed to the low level of support;
 - Specific actions taken to address the issues that contributed to the low level of support;
 - Other recent compensation actions taken by the company;
 - Whether the issues raised are recurring or isolated;
 - The company's ownership structure; and
 - Whether the support level was less than 50 percent, which would warrant the highest degree of responsiveness.

Governance Failures

Under extraordinary circumstances, vote AGAINST or WITHHOLD from directors individually, committee members, or the entire board, due to:

- 1.17. Material failures of governance, stewardship, or fiduciary responsibilities at the company;
- 1.18. Failure to replace management as appropriate; or

Egregious actions related to the director(s)' service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

2. Board Responsiveness

Vote CASE-BY-CASE on individual directors, committee members, or the entire board of directors as appropriate if:

- 2.1. The board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year. Factors that will be considered are:
 - Disclosed outreach efforts by the board to shareholders in the wake of the vote;
 - Rationale provided in the proxy statement for the level of implementation;
 - The subject matter of the proposal;
 - The level of support for and opposition to the resolution in past meetings;
 - Actions taken by the board in response to the majority vote and its engagement with shareholders;
 - The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
 - Other factors as appropriate;
- 2.2. The board failed to act on takeover offers where the majority of shares are tendered;
- 2.3. At the previous board election, any director received more than 50 percent withhold/against votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold/against vote;
- 2.4. The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received the majority of votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency; or
- 2.5. The board implements an advisory vote on executive compensation on a less frequent basis than the frequency that received a plurality, but not a majority, of the votes cast at the most recent shareholder meeting at which shareholders voted on the say-on-pay frequency, taking into account:
 - The board's rationale for selecting a frequency that is different from the frequency that received a plurality;
 - The company's ownership structure and vote results;
 - ISS' analysis of whether there are compensation concerns or a history of problematic compensation practices; and
 - The previous year's support level on the company's say-on-pay proposal.

3. Director Independence

Vote WITHHOLD/AGAINST Inside Directors and Affiliated Outside Directors (per the Categorization of Directors) when:

- 3.1. The inside or affiliated outside director serves on any of the three key committees: audit, compensation, or nominating;
- 3.2. The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee;
- 3.3. The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such a committee; or
- 3.4. The full board is less than majority independent.

4. Director Competence

Attendance at Board and Committee Meetings

- 4.1. Generally vote AGAINST or WITHHOLD from directors (except new nominees, who should be considered CASE-BY-CASE³) who attend less than 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:
 - Medical issues/illness;
 - Family emergencies; and
 - Missing only one meeting (when the total of all meetings is three or fewer).
- 4.2. If the proxy disclosure is unclear and insufficient to determine whether a director attended at least 75 percent of the aggregate of his/her board and committee meetings during his/her period of service, vote AGAINST or WITHHOLD from the director(s) in question.

Overboarded Directors

Vote AGAINST or WITHHOLD from individual directors who:

- 4.3. Sit on more than six public company boards; or
- 4.4. Are CEOs of public companies who sit on the boards of more than two public companies besides their own-- withhold only at their outside boards.

2013 Categorization of Directors

1. Inside Director (I)

- 1.1. Current employee or current officerⁱ of the company or one of its affiliatesⁱⁱ.
- 1.2. Beneficial owner of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a group).
- 1.3. Director named in the Summary Compensation Table (excluding former interim officers).

2. Affiliated Outside Director (AO)

Board Attestation

- 2.1. Board attestation that an outside director is not independent.

Former CEO/Interim Officer

- 2.2. Former CEO of the company^{iii,iv}.
- 2.3. Former CEO of an acquired company within the past five years^{iv}.

³ For new nominees only, schedule conflicts due to commitments made prior to their appointment to the board are considered if disclosed in the proxy or another SEC filing.

2.4. Former interim officer if the service was longer than 18 months. If the service was between 12 and 18 months an assessment of the interim officer's employment agreement will be made^v.

Non-CEO Executives

2.5. Former officerⁱ of the company, an affiliateⁱⁱ or an acquired firm within the past five years.

2.6. Officerⁱ of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years.

2.7. Officerⁱ, former officer, or general or limited partner of a joint venture or partnership with the company.

Family Members

2.8. Immediate family member^{vi} of a current or former officerⁱ of the company or its affiliatesⁱⁱ within the last five years.

2.9. Immediate family member^{vi} of a current employee of company or its affiliatesⁱⁱ where additional factors raise concern (which may include, but are not limited to, the following: a director related to numerous employees; the company or its affiliates employ relatives of numerous board members; or a non-Section 16 officer in a key strategic role).

Transactional, Professional, Financial, and Charitable Relationships

2.10. Currently provides (or an immediate family member^{vi} provides) professional services^{vii} to the company, to an affiliateⁱⁱ of the company or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.

2.11. Is (or an immediate family member^{vi} is) a partner in, or a controlling shareholder or an employee of, an organization which provides professional services^{vii} to the company, to an affiliateⁱⁱ of the company, or an individual officer of the company or one of its affiliates in excess of \$10,000 per year.

2.12. Has (or an immediate family member^{vi} has) any material transactional relationship^{viii} with the company or its affiliatesⁱⁱ (excluding investments in the company through a private placement).

2.13. Is (or an immediate family member^{vi} is) a partner in, or a controlling shareholder or an executive officer of, an organization which has any material transactional relationship^{viii} with the company or its affiliatesⁱⁱ (excluding investments in the company through a private placement).

2.14. Is (or an immediate family member^{vi} is) a trustee, director, or employee of a charitable or non-profit organization that receives material grants or endowments^{viii} from the company or its affiliatesⁱⁱ.

Other Relationships

2.15. Party to a voting agreement^{ix} to vote in line with management on proposals being brought to shareholder vote.

2.16. Has (or an immediate family member^{vi} has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation Committee^x.

2.17. Founder^{xi} of the company but not currently an employee.

2.18. Any material^{xii} relationship with the company.

3. Independent Outside Director (IO)

3.1. No material^{xii} connection to the company other than a board seat.

Footnotes:

ⁱ The definition of officer will generally follow that of a "Section 16 officer" (officers subject to Section 16 of the Securities and Exchange Act of 1934) and includes the chief executive, operating, financial, legal, technology, and accounting officers of a company (including the president, treasurer, secretary, controller, or any vice president in charge of a principal business unit, division, or policy function). Current interim officers are included in this category. For private companies, the equivalent positions are applicable. A non-employee director serving as an officer due to statutory requirements (e.g. corporate secretary) will be classified as an Affiliated Outsider under 2.18: "Any material relationship with the company." However, if the company provides explicit disclosure that the director is not receiving additional compensation in excess of \$10,000 per year for serving in that capacity, then the director will be classified as an Independent Outsider.

ⁱⁱ "Affiliate" includes a subsidiary, sibling company, or parent company. Victory uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

ⁱⁱⁱ Includes any former CEO of the company prior to the company's initial public offering (IPO).

^{iv} When there is a former CEO of a special purpose acquisition company (SPAC) serving on the board of an acquired company, Victory will generally classify such directors as independent unless determined otherwise taking into account the following factors: the applicable listing standards determination of such director's independence; any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

^v Victory will look at the terms of the interim officer's employment contract to determine if it contains severance pay, long-term health and pension benefits, or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. Victory will also consider if a formal search process was under way for a full-time officer at the time.

^{vi} “Immediate family member” follows the SEC’s definition of such and covers spouses, parents, children, step-parents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

^{vii} Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have a commission- or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services. The following would generally be considered transactional relationships and not professional services: deposit services; IT tech support services; educational services; and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional (and hence subject to the associated materiality test) rather than a professional relationship. “Of Counsel” relationships are only considered immaterial if the individual does not receive any form of compensation (in excess of \$10,000 per year) from, or is a retired partner of, the firm providing the professional service. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

^{viii} A material transactional relationship, including grants to non-profit organizations, exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient’s gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of \$1,000,000 or 2 percent of the recipient’s gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a company which follows neither of the preceding standards, Victory will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction).

^{ix} Dissident directors who are parties to a voting agreement pursuant to a settlement arrangement, will generally be classified as independent unless determined otherwise taking into account the following factors: the terms of the agreement; the duration of the standstill provision in the agreement; the limitations and requirements of actions that are agreed upon; if the dissident director nominee(s) is subject to the standstill; and if there any conflicting relationships or related party transactions.

^x Interlocks include: executive officers serving as directors on each other’s compensation or similar committees (or, in the absence of such a committee, on the board); or executive officers sitting on each other’s boards and at least one serves on the other’s compensation or similar committees (or, in the absence of such a committee, on the board).

^{xi} The operating involvement of the founder with the company will be considered. Little to no operating involvement ever may cause Victory to deem the founder as an independent outsider.

^{xii} For purposes of Victory’s director independence classification, “material” will be defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one’s objectivity in the boardroom in a manner that would have a meaningful impact on an individual’s ability to satisfy requisite fiduciary standards on behalf of shareholders.

Other Board-Related Proposals

Age/Term Limits

Vote AGAINST management and shareholder proposals to limit the tenure of outside directors through mandatory retirement ages.

Vote AGAINST management proposals to limit the tenure of outside directors through term limits. However, scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.

Board Size

Vote FOR proposals seeking to fix the board size or designate a range for the board size.

Vote AGAINST proposals that give management the ability to alter the size of the board outside of a specified range without shareholder approval.

Classification/Declassification of the Board

Vote AGAINST proposals to classify (stagger) the board.

Vote FOR proposals to repeal classified boards and to elect all directors annually.

CEO Succession Planning

Generally vote FOR proposals seeking disclosure on a CEO succession planning policy, considering at a minimum, the following factors:

- The reasonableness/scope of the request; and
- The company's existing disclosure on its current CEO succession planning process.

Cumulative Voting

Generally vote FOR proposals to eliminate cumulative voting.

Generally vote AGAINST shareholder proposals to restore or provide for cumulative voting.

Director and Officer Indemnification and Liability Protection

Vote CASE-BY-CASE on proposals on director and officer indemnification and liability protection using Delaware law as the standard.

Vote AGAINST proposals that would:

- Eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care.
- Expand coverage beyond just legal expenses to liability for acts, such as negligence, that are more serious violations of fiduciary obligation than mere carelessness.
- Expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board (i.e., "permissive indemnification"), but that previously the company was not required to indemnify.

Vote FOR only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if both of the following apply:

- If the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company; and
- If only the director's legal expenses would be covered.

Establish/Amend Nominee Qualifications

Vote CASE-BY-CASE on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and to what degree they may preclude dissident nominees from joining the board.

Vote CASE-BY-CASE on shareholder resolutions seeking a director nominee candidate who possesses a particular subject matter expertise, considering:

- The company's board committee structure, existing subject matter expertise, and board nomination provisions relative to that of its peers;
- The company's existing board and management oversight mechanisms regarding the issue for which board oversight is sought;
- The company disclosure and performance relating to the issue for which board oversight is sought and any significant related controversies; and
- The scope and structure of the proposal.

Establish other Board Committee Proposals

Generally vote AGAINST shareholder proposals to establish a new board committee.

Filling Vacancies/Removal of Directors

Vote AGAINST proposals that provide that directors may be removed only for cause.

Vote FOR proposals to restore shareholders' ability to remove directors with or without cause.

Vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

Independent Chair (Separate Chair/CEO)

Generally vote FOR shareholder proposals requiring that the chairman's position be filled by an independent director, unless the company satisfies *all* of the following criteria:

The company maintains the following counterbalancing governance structure:

- Designated lead director, elected by and from the independent board members with clearly delineated and comprehensive duties. (The role may alternatively reside with a presiding director, vice chairman, or rotating lead director; however the director must serve a minimum of one year in order to qualify as a lead director.) The duties should include, but are not limited to, the following:
 - presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;
 - serves as liaison between the chairman and the independent directors;
 - approves information sent to the board;
 - approves meeting agendas for the board;
 - approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
 - has the authority to call meetings of the independent directors;
 - if requested by major shareholders, ensures that he is available for consultation and direct communication;
- Two-thirds independent board;
- All independent key committees;
- Established governance guidelines;
- A company in the Russell 3000 universe must not have exhibited sustained poor total shareholder return (TSR) performance, defined as one- and three-year TSR in the bottom half of the company's four-digit GICS industry group (using Russell 3000 companies only), unless there has been a change in the Chairman/CEO position within that time. For companies not in the Russell 3000 universe, the company must not have underperformed both its peers and index on the basis of both one-year and three-year total shareholder returns, unless there has been a change in the Chairman/CEO position within that time;
- The company does not have any problematic governance or management issues, examples of which include, but are not limited to:
 - Egregious compensation practices;
 - Multiple related-party transactions or other issues putting director independence at risk;
 - Corporate and/or management scandals;
 - Excessive problematic corporate governance provisions; or
 - Flagrant actions by management or the board with potential or realized negative impacts on shareholders.

Majority of Independent Directors/Establishment of Independent Committees

Vote FOR shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by Victory's definition of independent outsider. (See [Categorization of Directors](#).)

Vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors if they currently do not meet that standard.

Majority Vote Standard for the Election of Directors

Vote AGAINST if the company already has a Resignation Policy in place

Otherwise vote with stated policy;

Generally vote FOR management proposals to adopt a majority of votes cast standard for directors in uncontested elections. Vote AGAINST if no carve-out for plurality in contested elections is included.

Generally vote FOR precatory and binding shareholder resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with the state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

Companies are strongly encouraged to also adopt a post-election policy (also known as a director resignation policy) that will provide guidelines so that the company will promptly address the situation of a holdover director.

Proxy Access (Open Access)

Vote CASE-BY-CASE on shareholder proposals asking for open or proxy access, taking into account:

- The ownership threshold proposed in the resolution;
- The proponent's rationale for the proposal at the targeted company in terms of board and director conduct.

Require More Nominees than Open Seats

Vote AGAINST shareholder proposals that would require a company to nominate more candidates than the number of open board seats.

Shareholder Engagement Policy (Shareholder Advisory Committee)

Generally vote FOR shareholders proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

- Established a communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board;
- Effectively disclosed information with respect to this structure to its shareholders;
- Company has not ignored majority-supported shareholder proposals or a majority withhold vote on a director nominee; and
- The company has an independent chairman or a lead director, according to Victory's definition. This individual must be made available for periodic consultation and direct communication with major shareholders.

Proxy Contests- Voting for Director Nominees in Contested Elections

Internally reviewed on a CASE-BY-CASE basis.

Vote No Campaigns

In cases where companies are targeted in connection with public "vote no" campaigns, evaluate director nominees under the existing governance policies for voting on director nominees in uncontested elections. Take into consideration the arguments submitted by shareholders and other publicly available information.

Takeover Defenses and Related Actions

Anti-takeover statutes generally increase management's potential for insulating itself and warding off hostile takeovers that may be beneficial to shareholders. While it may be true that some boards use such devices to obtain higher bids and to enhance shareholder value, it is more likely that such provisions are used to entrench management.

Advance Notice Requirements for Shareholder Proposals/Nominations

Vote CASE-BY-CASE on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory and shareholder review.

To be reasonable, the company's deadline for shareholder notice of a proposal/ nominations must not be more than 60 days prior to the meeting, with a submittal window of at least 30 days prior to the deadline. The submittal window is the period under which a shareholder must file his proposal/nominations prior to the deadline.

In general, support additional efforts by companies to ensure full disclosure in regard to a proponent's economic and voting position in the company so long as the informational requirements are reasonable and aimed at providing shareholders with the necessary information to review such proposals.

Amend Bylaws without Shareholder Consent

Vote AGAINST proposals giving the board exclusive authority to amend the bylaws.

Vote FOR proposals giving the board the ability to amend the bylaws in addition to shareholders.

Confidential Voting

Vote FOR shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators, and use independent inspectors of election, as long as the proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived.

Vote FOR management proposals to adopt confidential voting.

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Vote FOR management proposals to adopt confidential voting.

Control Share Acquisition Provisions

Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. Voting rights for those shares exceeding ownership limits may only be restored by approval of either a majority or supermajority of disinterested shares. Thus, control share acquisition statutes effectively require a hostile bidder to put its offer to a shareholder vote or risk voting disenfranchisement if the bidder continues buying up a large block of shares.

Vote FOR proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Vote AGAINST proposals to amend the charter to include control share acquisition provisions.

Vote FOR proposals to restore voting rights to the control shares.

Control Share Cash-Out Provisions

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position. In other words, when an investor crosses a preset threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price.

Vote FOR proposals to opt out of control share cash-out statutes.

Disgorgement Provisions

Disgorgement provisions require an acquirer or potential acquirer of more than a certain percentage of a company's stock to disgorge, or pay back, to the company any profits realized from the sale of that company's stock purchased 24 months

before achieving control status. All sales of company stock by the acquirer occurring within a certain period of time (between 18 months and 24 months) prior to the investor's gaining control status are subject to these recapture-of-profits provisions.

Vote FOR proposals to opt out of state disgorgement provisions.

Equal Access Proposals

Vote FOR proposals seeking equal access to proxies.

Fair Price Provisions

Vote CASE-BY-CASE on proposals to adopt fair price provisions (provisions that stipulate that an acquirer must pay the same price to acquire all shares as it paid to acquire the control shares), evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally, vote AGAINST fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

Freeze-Out Provisions

Vote FOR proposals to opt out of state freeze-out provisions. Freeze-out provisions force an investor who surpasses a certain ownership threshold in a company to wait a specified period of time before gaining control of the company.

Greenmail

Greenmail payments are targeted share repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders.

Vote FOR proposals to adopt anti-greenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Vote CASE-BY-CASE on anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

Net Operating Loss (NOL) Protective Amendments

Vote AGAINST proposals to adopt a protective amendment for the stated purpose of protecting a company's net operating losses ("NOLs") if the effective term of the protective amendment would exceed the shorter of three years and the exhaustion of the NOL.

Vote CASE-BY-CASE, considering the following factors, for management proposals to adopt an NOL protective amendment that would remain in effect for the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold (NOL protective amendments generally prohibit stock ownership transfers that would result in a new 5-percent holder or increase the stock ownership percentage of an existing 5-percent holder);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision or commitment to cause expiration of the protective amendment upon exhaustion or expiration of the NOL);
- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Poison Pills (Shareholder Rights Plans)

Shareholder Proposals to Put Pill to a Vote and/or Adopt a Pill Policy

Vote FOR shareholder proposals requesting that the company submit its poison pill to a shareholder vote or redeem it UNLESS the company has: (1) A shareholder approved poison pill in place; or (2) The company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

- Shareholders have approved the adoption of the plan; or
- The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking stockholder approval (i.e., the "fiduciary out" provision). A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote FOR the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

Management Proposals to Ratify a Poison Pill

Vote CASE-BY-CASE on management proposals on poison pill ratification, focusing on the features of the shareholder rights plan. Rights plans should contain the following attributes:

- No lower than a 20% trigger, flip-in or flip-over;
- A term of no more than three years;
- No dead-hand, slow-hand, no-hand or similar feature that limits the ability of a future board to redeem the pill;
- Shareholder redemption feature (qualifying offer clause); if the board refuses to redeem the pill 90 days after a qualifying offer is announced, 10 percent of the shares may call a special meeting or seek a written consent to vote on rescinding the pill.

In addition, the rationale for adopting the pill should be thoroughly explained by the company. In examining the request for the pill, take into consideration the company's existing governance structure, including: board independence, existing takeover defenses, and any problematic governance concerns.

Management Proposals to Ratify a Pill to Preserve Net Operating Losses (NOLs)

Vote AGAINST proposals to adopt a poison pill for the stated purpose of protecting a company's net operating losses ("NOLs") if the term of the pill would exceed the shorter of three years and the exhaustion of the NOL.

Vote CASE-BY-CASE on management proposals for poison pill ratification, considering the following factors, if the term of the pill would be the shorter of three years (or less) and the exhaustion of the NOL:

- The ownership threshold to transfer (NOL pills generally have a trigger slightly below 5 percent);
- The value of the NOLs;
- Shareholder protection mechanisms (sunset provision, or commitment to cause expiration of the pill upon exhaustion or expiration of NOLs);
- The company's existing governance structure including: board independence, existing takeover defenses, track record of responsiveness to shareholders, and any other problematic governance concerns; and
- Any other factors that may be applicable.

Reimbursing Proxy Solicitation Expenses

Vote CASE-BY-CASE on proposals to reimburse proxy solicitation expenses. When voting in conjunction with support of a dissident slate, vote FOR the reimbursement of all appropriate proxy solicitation expenses associated with the election.

Generally vote FOR shareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

- The election of fewer than 50% of the directors to be elected is contested in the election;
- One or more of the dissident's candidates is elected;
- Shareholders are not permitted to cumulate their votes for directors; and
- The election occurred, and the expenses were incurred, after the adoption of this bylaw.

Reincorporation Proposals

Management or shareholder proposals to change a company's state of incorporation should be evaluated CASE-BY-CASE, giving consideration to both financial and corporate governance concerns including the following:

- Reasons for reincorporation;
- Comparison of company's governance practices and provisions prior to and following the reincorporation; and
- Comparison of corporation laws of original state and destination state.

Vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

Shareholder Ability to Act by Written Consent

Generally vote AGAINST management and shareholder proposals to restrict or prohibit shareholders' ability to act by written consent.

Generally vote FOR management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the following factors:

- Shareholders' current right to act by written consent;
- The consent threshold;
- The inclusion of exclusionary or prohibitive language;
- Investor ownership structure; and
- Shareholder support of, and management's response to, previous shareholder proposals.

Vote CASE-BY-CASE on shareholder proposals if, in addition to the considerations above, the company has the following governance and antitakeover provisions:

- An unfettered⁴ right for shareholders to call special meetings at a 10 percent threshold;
- A majority vote standard in uncontested director elections;
- No non-shareholder-approved pill; and
- An annually elected board.

Shareholder Ability to Call Special Meetings

Vote AGAINST proposals restricting or eliminating shareholders' right to call special meetings.

Vote FOR proposals allowing shareholders to call special meetings unless the company currently provides the right to call special meetings at a threshold of 25 percent, upon which Victory votes AGAINST.

Stakeholder Provisions

Vote AGAINST proposals that ask the board to consider non-shareholder constituencies or other non-financial effects when evaluating a merger or business combination.

State Antitakeover Statutes

Vote CASE-BY-CASE on proposals to opt in or out of state takeover statutes (including fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions).

Supermajority Vote Requirements

Vote AGAINST proposals seeking to adopt supermajority vote requirements higher than 66.67 percent.

Vote FOR proposals seeking to reduce or eliminate supermajority vote requirements.

⁴ "Unfettered" means no restrictions on agenda items, no restrictions on the number of shareholders who can group together to reach the 10 percent threshold, and only reasonable limits on when a meeting can be called: no greater than 30 days after the last annual meeting and no greater than 90 prior to the next annual meeting.

CAPITAL/RESTRUCTURING

The stewardship of a corporation's capital structure involves a number of important issues, including dividend policy, taxes, types of assets, opportunities for growth, ability to finance new projects internally, and the cost of obtaining additional capital. For the most part, these decisions are best left to the board and senior management of the firm. However, while a company's value depends more on its capital investment and operations than on how it is financed, many financing decisions have a significant impact on shareholders, particularly when they involve the issuance of additional common stock, preferred stock, or the assumption of additional debt. Additional equity financing, for example, may reduce an existing shareholder's ownership interest and can dilute the value of his investment. Shareholders must also be alert to potential anti-takeover mechanisms, which are often embedded in management's chosen financing vehicles.

Capital

Adjustments to Par Value of Common Stock

Vote FOR management proposals to reduce the par value of common stock unless the action is being taken to facilitate an anti-takeover device or some other negative corporate governance action

Vote FOR management proposals to eliminate par value.

Common Stock Authorization

Vote FOR proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote AGAINST proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.

Vote AGAINST proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.

Vote FOR increases in authorized common stock, unless the increase is being used to thwart a takeover, upon which Victory votes AGAINST.

Vote AGAINST proposals that seek to permanently revoke or remove preemptive rights from shareholders.

Vote CASE-BY-CASE on all other proposals to increase the number of shares of common stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- Past Board Performance:
 - The company's use of authorized shares during the last three years
- The Current Request:
 - Disclosure in the proxy statement of the specific purposes of the proposed increase;
 - Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and
 - The dilutive impact of the request as determined by an allowable increase calculated by Victory (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns.

Issue Stock for Use with Rights Plan

Vote AGAINST proposals that increase authorized common stock for the explicit purpose of implementing a non-shareholder- approved shareholder rights plan (poison pill).

Authority to Issue Additional Debt

(This is a non-US issue.)

Vote non-convertible debt issuance requests on a CASE-BY-CASE basis, with or without preemptive rights.

Vote FOR the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets ISS guidelines on equity issuance requests.

Vote FOR proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

Preemptive Rights

Vote CASE-BY-CASE on shareholder proposals that seek preemptive rights, taking into consideration:

- The size of the company;
- The shareholder base; and
- The liquidity of the stock.

Preferred Stock Authorization

Vote FOR proposals to increase the number of authorized preferred shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.

Vote AGAINST proposals at companies with more than one class or series of preferred stock to increase the number of authorized shares of the class or series of preferred stock that has superior voting rights.

Vote CASE-BY-CASE on all other proposals to increase the number of shares of preferred stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:

- Past Board Performance:
 - The company's use of authorized preferred shares during the last three years;
- The Current Request:
 - Disclosure in the proxy statement of the specific purposes for the proposed increase;
 - Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request;
 - In cases where the company has existing authorized preferred stock, the dilutive impact of the request as determined by an allowable increase calculated by Victory (typically 100 percent of existing authorized shares) that reflects the company's need for shares and total shareholder returns; and
 - Whether the shares requested are blank check preferred shares that can be used for antitakeover purposes.

Recapitalization Plans

Vote CASE-BY-CASE on recapitalizations (reclassifications of securities), taking into account the following:

- More simplified capital structure;
- Enhanced liquidity;
- Fairness of conversion terms;
- Impact on voting power and dividends;
- Reasons for the reclassification;
- Conflicts of interest; and
- Other alternatives considered.

Reverse Stock Splits

Vote FOR management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

Vote AGAINST proposals when there is not a proportionate reduction of authorized shares, unless:

- A stock exchange has provided notice to the company of a potential delisting; or
- The effective increase in authorized shares is equal to or less than the allowable increase calculated in accordance with Victory's Common Stock Authorization policy.

Share Repurchase Programs

Vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

Stock Distributions: Splits and Dividends

Vote FOR management proposals to increase the common share authorization for a stock split or share dividend, provided that the increase in authorized shares equal to or less than the allowable increase calculated in accordance with Victory's Common Stock Authorization policy.

Tracking Stock

Vote CASE-BY-CASE on the creation of tracking stock, weighing the strategic value of the transaction against such factors as:

- Adverse governance changes;
- Excessive increases in authorized capital stock;
- Unfair method of distribution;
- Diminution of voting rights;
- Adverse conversion features;
- Negative impact on stock option plans; and
- Alternatives such as spin-off.

Restructuring

Appraisal Rights

Vote FOR proposals to restore or provide shareholders with rights of appraisal.

Asset Purchases

Vote CASE-BY-CASE on asset purchase proposals, considering the following factors:

- Purchase price;
- Fairness opinion;
- Financial and strategic benefits;
- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives for the business;
- Non-completion risk.

Asset Sales

Vote CASE-BY-CASE on asset sales, considering the following factors:

- Impact on the balance sheet/working capital;
- Potential elimination of diseconomies;
- Anticipated financial and operating benefits;
- Anticipated use of funds;
- Value received for the asset;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest.

Bundled Proposals

Vote CASE-BY-CASE on bundled or “conditional” proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders’ best interests, vote AGAINST the proposals. If the combined effect is positive, support such proposals.

Conversion of Securities

Vote CASE-BY-CASE on proposals regarding conversion of securities. When evaluating these proposals the investor should review the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest.

Vote FOR the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans

Vote CASE-BY- CASE on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- Dilution to existing shareholders' positions;
- Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- Management's efforts to pursue other alternatives;
- Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- Conflict of interest - arm's length transaction, managerial incentives.

Vote FOR the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Formation of Holding Company

Vote CASE-BY-CASE on proposals regarding the formation of a holding company, taking into consideration the following:

- The reasons for the change;
- Any financial or tax benefits;
- Regulatory benefits;
- Increases in capital structure; and
- Changes to the articles of incorporation or bylaws of the company.

Absent compelling financial reasons to recommend the transaction, vote AGAINST the formation of a holding company if the transaction would include either of the following:

- Increases in common or preferred stock in excess of the allowable maximum (see discussion under “Capital”); or
- Adverse changes in shareholder rights.

Going Private and Going Dark Transactions (LBOs and Minority Squeeze-outs)

Vote CASE-BY-CASE on going private transactions, taking into account the following:

- Offer price/premium;
- Fairness opinion;
- How the deal was negotiated;
- Conflicts of interest;
- Other alternatives/offers considered; and
- Non-completion risk.

Vote CASE-BY-CASE on going dark transactions, determining whether the transaction enhances shareholder value by taking into consideration:

- Whether the company has attained benefits from being publicly-traded (examination of trading volume, liquidity, and market research of the stock);
- Balanced interests of continuing vs. cashed-out shareholders, taking into account the following:
 - Are all shareholders able to participate in the transaction?
 - Will there be a liquid market for remaining shareholders following the transaction?
 - Does the company have strong corporate governance?
 - Will insiders reap the gains of control following the proposed transaction?
 - Does the state of incorporation have laws requiring continued reporting that may benefit shareholders?

Joint Ventures

Vote CASE-BY-CASE on proposals to form joint ventures, taking into account the following:

- Percentage of assets/business contributed;
- Percentage ownership;
- Financial and strategic benefits;
- Governance structure;
- Conflicts of interest;
- Other alternatives; and
- Non-completion risk.

Liquidations

Vote CASE-BY-CASE on liquidations, taking into account the following:

- Management's efforts to pursue other alternatives;
- Appraisal value of assets; and
- The compensation plan for executives managing the liquidation.

Vote FOR the liquidation if the company will file for bankruptcy if the proposal is not approved.

Mergers and Acquisitions

Vote CASE –BY- CASE on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.
- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.

- *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.
- *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Private Placements/Warrants/Convertible Debentures

Vote CASE-BY-CASE on proposals regarding private placements, warrants, and convertible debentures taking into consideration:

- Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion. Although newly issued common stock, absent preemptive rights, is typically dilutive to existing shareholders, share price appreciation is often the necessary event to trigger the exercise of "out of the money" warrants and convertible debt. In these instances from a value standpoint, the negative impact of dilution is mitigated by the increase in the company's stock price that must occur to trigger the dilutive event.
- Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy):
 - The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition. Ideally, the conversion price for convertible debt and the exercise price for warrants should be at a premium to the then prevailing stock price at the time of private placement.
 - When evaluating the magnitude of a private placement discount or premium, consider factors that influence the discount or premium, such as, liquidity, due diligence costs, control and monitoring costs, capital scarcity, information asymmetry and anticipation of future performance.
- Financial issues:
 - The company's financial condition;
 - Degree of need for capital;
 - Use of proceeds;
 - Effect of the financing on the company's cost of capital;
 - Current and proposed cash burn rate;
 - Going concern viability and the state of the capital and credit markets.
- Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives: A fair, unconstrained process helps to ensure the best price for shareholders. Financing alternatives can include joint ventures, partnership, merger or sale of part or all of the company.
- Control issues:
 - Change in management;
 - Change in control;
 - Guaranteed board and committee seats;
 - Standstill provisions;
 - Voting agreements;
 - Veto power over certain corporate actions; and
 - Minority versus majority ownership and corresponding minority discount or majority control premium

- Conflicts of interest:
 - Conflicts of interest should be viewed from the perspective of the company and the investor.
 - Were the terms of the transaction negotiated at arm's length? Are managerial incentives aligned with shareholder interests?
- Market reaction:
 - The market's response to the proposed deal. A negative market reaction is a cause for concern. Market reaction may be addressed by analyzing the one day impact on the unaffected stock price.

Vote *FOR* the private placement, or *FOR* the issuance of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

Reorganization/Restructuring Plan (Bankruptcy)

Vote CASE-BY-CASE on proposals to common shareholders on bankruptcy plans of reorganization, considering the following factors including, but not limited to:

- Estimated value and financial prospects of the reorganized company;
- Percentage ownership of current shareholders in the reorganized company;
- Whether shareholders are adequately represented in the reorganization process (particularly through the existence of an Official Equity Committee);
- The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- Existence of a superior alternative to the plan of reorganization; and
- Governance of the reorganized company.

Special Purpose Acquisition Corporations (SPACs)

Vote CASE-BY-CASE on SPAC mergers and acquisitions taking into account the following:

- Valuation – Is the value being paid by the SPAC reasonable? SPACs generally lack an independent fairness opinion and the financials on the target may be limited. Compare the conversion price with the intrinsic value of the target company provided in the fairness opinion. Also, evaluate the proportionate value of the combined entity attributable to the SPAC IPO shareholders versus the pre-merger value of SPAC. Additionally, a private company discount may be applied to the target, if it is a private entity.
- Market reaction – How has the market responded to the proposed deal? A negative market reaction may be a cause for concern. Market reaction may be addressed by analyzing the one-day impact on the unaffected stock price.
- Deal timing – A main driver for most transactions is that the SPAC charter typically requires the deal to be complete within 18 to 24 months, or the SPAC is to be liquidated. Evaluate the valuation, market reaction, and potential conflicts of interest for deals that are announced close to the liquidation date.
- Negotiations and process – What was the process undertaken to identify potential target companies within specified industry or location specified in charter? Consider the background of the sponsors.
- Conflicts of interest – How are sponsors benefiting from the transaction compared to IPO shareholders? Potential conflicts could arise if a fairness opinion is issued by the insiders to qualify the deal rather than a third party or if management is encouraged to pay a higher price for the target because of an 80% rule (the charter requires that the fair market value of the target is at least equal to 80% of net assets of the SPAC). Also, there may be sense of urgency by the management team of the SPAC to close the deal since its charter typically requires a transaction to be completed within the 18-24 month timeframe.
- Voting agreements – Are the sponsors entering into any voting agreements/ tender offers with shareholders who are likely to vote AGAINST the proposed merger or exercise conversion rights?
- Governance – What is the impact of having the SPAC CEO or founder on key committees following the proposed merger?

Spin-offs

Vote CASE-BY-CASE on spin-offs, considering:

- Tax and regulatory advantages;
- Planned use of the sale proceeds;
- Valuation of spinoff;
- Fairness opinion;
- Benefits to the parent company;
- Conflicts of interest;
- Managerial incentives;
- Corporate governance changes;
- Changes in the capital structure.

Value Maximization Shareholder Proposals

Vote CASE-BY-CASE on shareholder proposals seeking to maximize shareholder value by:

- Hiring a financial advisor to explore strategic alternatives;
- Selling the company; or
- Liquidating the company and distributing the proceeds to shareholders.

These proposals should be evaluated based on the following factors:

- Prolonged poor performance with no turnaround in sight;
- Signs of entrenched board and management (such as the adoption of takeover defenses);
- Strategic plan in place for improving value;
- Likelihood of receiving reasonable value in a sale or dissolution; and
- The company actively exploring its strategic options, including retaining a financial advisor.

COMPENSATION

Executive Pay Evaluation

Executive pay remains a perennial hot button issue for shareholders, who want assurance that top management's compensation is primarily performance-based, fair, and reasonable. Any evaluation of executive pay must recognize two underlying forces: an executive labor market, where executive pay packages result from negotiations in a war for talent, and an agency problem, where boards and shareholders try to align pay incentives with shareholder value creation.

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;
2. Avoid arrangements that risk "pay for failure": This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (e.g., including access to independent expertise and advice when needed);
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;

5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Advisory Votes on Executive Compensation- Management Proposals (Management Say-on-Pay)

Evaluate executive pay and practices, as well as certain aspects of outside director compensation CASE-BY-CASE.

Vote AGAINST management say on pay (MSOP) proposals, AGAINST/WITHHOLD on compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO), and/or AGAINST an equity-based incentive plan proposal if:

- There is a misalignment between CEO pay and company performance (pay for performance);
- The company maintains problematic pay practices;
- The board exhibits poor communication and responsiveness to shareholders.

Voting Alternatives

In general, the management say on pay (MSOP) ballot item is the primary focus of voting on executive pay practices-- dissatisfaction with compensation practices can be expressed by voting against MSOP rather than withholding or voting against the compensation committee. However, if there is no MSOP on the ballot, then the negative vote will apply to members of the compensation committee. In addition, in egregious cases, or if the board fails to respond to concerns raised by a prior MSOP proposal, then vote withhold or against compensation committee members (or, if the full board is deemed accountable, all directors). If the negative factors involve equity-based compensation, then vote AGAINST an equity-based plan proposal presented for shareholder approval.

Additional CASE-BY-CASE considerations for the management say on pay (MSOP) proposals:

- Evaluation of performance metrics in short-term and long-term plans, as discussed and explained in the Compensation Discussion & Analysis (CD&A). Consider the measures, goals, and target awards reported by the company for executives' short- and long-term incentive awards: disclosure, explanation of their alignment with the company's business strategy, and whether goals appear to be sufficiently challenging in relation to resulting payouts;
- Evaluation of peer group benchmarking used to set target pay or award opportunities. Consider the rationale stated by the company for constituents in its pay benchmarking peer group, as well as the benchmark targets it uses to set or validate executives' pay (e.g., median, 75th percentile, etc.,) to ascertain whether the benchmarking process is sound or may result in pay "ratcheting" due to inappropriate peer group constituents (e.g., much larger companies) or targeting (e.g., above median); and
- Balance of performance-based versus non-performance-based pay. Consider the ratio of performance-based (not including plain vanilla stock options) vs. non-performance-based pay elements reported for the CEO's latest reported fiscal year compensation, especially in conjunction with concerns about other factors such as performance metrics/goals, benchmarking practices, and pay-for-performance disconnects.

Primary Evaluation Factors for Executive Pay

Pay for Performance

Evaluate the alignment of the CEO's pay with performance over time, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholders' perspective, performance is predominantly gauged by the company's stock performance over time. Even when financial or operational measures are utilized in incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long-term.

Focus on companies with sustained underperformance relative to peers, considering the following key factors:

- Whether a company's one-year and three-year total shareholder returns ("TSR") are in the bottom half of its industry group (i.e., four-digit GICS – Global Industry Classification Group); and
- Whether the total compensation of a CEO who has served at least two consecutive fiscal years is aligned with the company's total shareholder return over time, including both recent and long-term periods.

If a company falls in the bottom half of its four-digit GICS, further analysis of the CD&A is required to better understand the various pay elements and whether they create or reinforce shareholder alignment. Also assess the CEO's pay relative to the company's TSR over a time horizon of at least five years. The most recent year-over-year increase or decrease in pay remains a key consideration, but there will be additional emphasis on the long term trend of CEO total compensation relative to shareholder return. Also consider the mix of performance-based compensation relative to total compensation. In general, standard stock options or time-vested restricted stock are not considered to be performance-based. If a company provides performance-based incentives to its executives, the company is highly encouraged to provide the complete disclosure of the performance measure and goals (hurdle rate) so that shareholders can assess the rigor of the performance program. The use of non-GAAP financial metrics also makes it very challenging for shareholders to ascertain the rigor of the program as shareholders often cannot tell the type of adjustments being made and if the adjustments were made consistently. Complete and transparent disclosure helps shareholders to better understand the company's pay for performance linkage.

Problematic Pay Practices

If the company maintains problematic pay practices, generally vote:

- AGAINST management "say on pay" (MSOP) proposals;
- AGAINST/WITHHOLD on compensation committee members (or in rare cases where the full board is deemed responsible, all directors including the CEO):
 - In egregious situations;
 - When no MSOP item is on the ballot; or
 - When the board has failed to respond to concerns raised in prior MSOP evaluations; and/or
- AGAINST an equity incentive plan proposal if excessive non-performance-based equity awards are the major contributors to a pay-for-performance misalignment.

The focus is on executive compensation practices that contravene the global pay principles, including:

- Problematic practices related to non-performance-based compensation elements;
- Incentives that may motivate excessive risk-taking; and
- Options Backdating.

Problematic Pay Practices related to Non-Performance-Based Compensation Elements

Pay elements that are not directly based on performance are generally evaluated CASE-BY-CASE considering the context of a company's overall pay program and demonstrated pay-for-performance philosophy. Please refer to ISS' Compensation FAQ document for detail on specific pay practices that have been identified as potentially problematic and may lead to negative recommendations if they are deemed to be inappropriate or unjustified relative to executive pay best practices. The list below highlights the problematic practices that carry significant weight in this overall consideration and may result in adverse vote recommendations:

- Repricing or replacing of underwater stock options/SARS without prior shareholder approval (including cash buyouts and voluntary surrender of underwater options);
- Excessive perquisites or tax gross-ups, including any gross-up related to a secular trust or restricted stock vesting;
- New or extended agreements that provide for:
 - CIC payments exceeding 3 times base salary and average/target/most recent bonus;

- CIC severance payments without involuntary job loss or substantial diminution of duties ("single" or "modified single" triggers);
- CIC payments with excise tax gross-ups (including "modified" gross-ups).

Incentives that may Motivate Excessive Risk-Taking

Assess company policies and disclosure related to compensation that could incentivize excessive risk-taking, for example:

- Multi-year guaranteed bonuses;
- A single performance metric used for short- and long-term plans;
- Lucrative severance packages;
- High pay opportunities relative to industry peers;
- Disproportionate supplemental pensions; or
- Mega annual equity grants that provide unlimited upside with no downside risk.

Factors that potentially mitigate the impact of risky incentives include rigorous claw-back provisions and robust stock ownership/holding guidelines.

Options Backdating

Vote CASE-BY-CASE on options backdating issues. Generally, when a company has recently practiced options backdating, WITHHOLD from or vote AGAINST the compensation committee, depending on the severity of the practices and the subsequent corrective actions on the part of the board. When deciding on votes on compensation committee members who oversaw questionable options grant practices or current compensation committee members who fail to respond to the issue proactively, consider several factors, including, but not limited to, the following:

- Reason and motive for the options backdating issue, such as inadvertent vs. deliberate grant date changes;
- Duration of options backdating;
- Size of restatement due to options backdating;
- Corrective actions taken by the board or compensation committee, such as canceling or re-pricing backdated options, the recouping of option gains on backdated grants; and
- Adoption of a grant policy that prohibits backdating, and creates a fixed grant schedule or window period for equity grants in the future.

A CASE-BY-CASE analysis approach allows distinctions to be made between companies that had "sloppy" plan administration versus those that acted deliberately and/or committed fraud, as well as those companies that subsequently took corrective action. Cases where companies have committed fraud are considered most egregious.

Board Communications and Responsiveness

Consider the following factors CASE-BY-CASE when evaluating ballot items related to executive pay:

- Poor disclosure practices, including:
 - Unclear explanation of how the CEO is involved in the pay setting process;
 - Retrospective performance targets and methodology not discussed;
 - Methodology for benchmarking practices and/or peer group not disclosed and explained.
- Board's responsiveness to investor input and engagement on compensation issues, for example:
 - Failure to respond to majority-supported shareholder proposals on executive pay topics; or
 - Failure to respond to concerns raised in connection with significant opposition to MSOP proposals.

Frequency of Advisory Vote on Executive Compensation ("Say When on Pay")

Vote FOR annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs.

Voting on Golden Parachutes in an Acquisition, Merger, Consolidation, or Proposed Sale

Vote CASE-BY-CASE on say on Golden Parachute proposals, including consideration of existing change-in-control arrangements maintained with named executive officers rather than focusing primarily on new or extended arrangements. Features that may result in an AGAINST recommendation include one or more of the following, depending on the number, magnitude, and/or timing of issue(s):

- Single- or modified-single-trigger cash severance;
- Single-trigger acceleration of unvested equity awards;
- Excessive cash severance (>3x base salary and bonus);
- Excise tax gross-ups triggered and payable (as opposed to a provision to provide excise tax gross-ups);
- Excessive golden parachute payments (on an absolute basis or as a percentage of transaction equity value); or
- Recent amendments that incorporate any problematic features (such as those above) or recent actions (such as extraordinary equity grants) that may make packages so attractive as to influence merger agreements that may not be in the best interests of shareholders; or
- The company's assertion that a proposed transaction is conditioned on shareholder approval of the golden parachute advisory vote.

Recent amendment(s) that incorporate problematic features will tend to carry more weight on the overall analysis.

However, the presence of multiple legacy problematic features will also be closely scrutinized.

In cases where the golden parachute vote is incorporated into a company's advisory vote on compensation (management say-on-pay), Victory Capital will evaluate the say-on-pay proposal in accordance with these guidelines, which may give higher weight to that component of the overall evaluation.

Equity-Based and Other Incentive Plans

Vote CASE-BY-CASE on equity-based compensation plans.

Vote AGAINST any plan that issues over 30% of the outstanding stock at that time.

Victory also will vote AGAINST any plan that provides loans to officers or directors to exercise options.

Vote AGAINST the equity plan if any of the following factors apply:

- The total cost of the company's equity plans is unreasonable;
- The plan expressly permits the repricing of stock options/stock appreciate rights (SARs) without prior shareholder approval;
- The CEO is a participant in the proposed equity-based compensation plan and there is a disconnect between CEO pay and the company's performance where over 50 percent of the year-over-year increase is attributed to equity awards (see Pay-for-Performance);
- The company's three year burn rate exceeds the greater of 2% or the mean plus one standard deviation of its industry group but no more than two percentage points (+/-) from the prior-year industry group cap;
- Liberal Change of Control Definition: The plan provides for the acceleration of vesting of equity awards even though an actual change in control may not occur (e.g., upon shareholder approval of a transaction or the announcement of a tender offer); or
- The plan is a vehicle for problematic pay practices.

Each of these factors is described below:

Cost of Equity Plans

Generally, vote AGAINST equity plans if the cost is unreasonable. For non-employee director plans, vote FOR the plan if certain factors are met (see Director Compensation section).

The cost of the equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised. All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full value awards), the assumption is made that all awards to be granted will be the most expensive types. See discussion of specific types of awards.

The Shareholder Value Transfer is reasonable if it falls below the company-specific allowable cap. The allowable cap is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company's allowable cap.

Repricing Provisions

Vote AGAINST plans that do not expressly prohibit the repricing or exchange of underwater stock options without prior shareholder approval. "Repricing" includes the ability to do any of the following:

- Amend the terms of outstanding options or SARs to reduce the exercise price of such outstanding options or SARs;
- Cancel outstanding options or SARs in exchange for options or SARs with an exercise price that is less than the exercise price of the original options or SARs.

Also, vote AGAINST OR WITHHOLD from members of the Compensation Committee who approved and/or implemented a repricing or an option/SAR exchange program, by buying out underwater options/SARs for stock, cash or other consideration or canceling underwater options/SARs and regranting options/SARs with a lower exercise price, without prior shareholder approval, even if such repricings are allowed in their equity plan.

Vote AGAINST plans if the company has a history of repricing without shareholder approval, and the applicable listing standards would not preclude them from doing so.

Three-Year Burn Rate/Burn Rate Commitment

Generally vote AGAINST equity plans for companies whose average three-year burn rates exceeds the greater of: (1) the mean (μ) plus one standard deviation (σ) of the company's GICS group segmented by Russell 3000 index and non-Russell 3000 index (per the Burn Rate Table published in December); and (2) two percent of weighted common shares outstanding. In addition, year-over-year burn-rate cap changes will be limited to a maximum of two (2) percentage points (plus or minus) the prior year's burn-rate cap.

If a company fails to fulfill a burn rate commitment, vote AGAINST or WITHHOLD from the compensation committee.

Pay-for-Performance- Impact on Equity Plans

If a significant portion of the CEO's misaligned pay is attributed to equity awards, and there is an equity plan on the ballot, vote AGAINST the equity plan, taking in to consideration:

- Magnitude of pay increase/decrease in the last fiscal year;
- Source of pay increase (cash or equity); and
- Proportion of equity awards granted in the last fiscal year concentrated at the named executive officer level.

See [Pay-for-Performance](#) discussion under Executive Pay Evaluation for further details.

Liberal Definition of Change-in-Control

Generally vote AGAINST equity plans if the plan provides for the acceleration of vesting of equity awards even though an actual change in control may not occur. Examples of such a definition could include, but are not limited to, announcement or commencement of a tender offer, provisions for acceleration upon a "potential" takeover, shareholder approval of a merger or other transactions, or similar language.

Problematic Pay Practices

If the equity plan on the ballot is a vehicle for [problematic pay practices](#), vote AGAINST the plan.

Specific Treatment of Certain Award Types in Equity Plan Evaluations:***Dividend Equivalent Rights***

Options that have Dividend Equivalent Rights (DERs) associated with them will have a higher calculated award value than those without DERs under the binomial model, based on the value of these dividend streams. The higher value will be applied to new shares, shares available under existing plans, and shares awarded but not exercised per the plan specifications. DERs transfer more shareholder equity to employees and non-employee directors and this cost should be captured.

Liberal Share Recycling Provisions

Under net share counting provisions, shares tendered by an option holder to pay for the exercise of an option, shares withheld for taxes or shares repurchased by the company on the open market can be recycled back into the equity plan for awarding again. All awards with such provisions should be valued as full-value awards. Stock-settled stock appreciation rights (SSARs) will also be considered as full-value awards if a company counts only the net shares issued to employees towards their plan reserve.

Operating Partnership (OP) units in Equity Plan analysis of Real Estate Investment Trusts (REITs)

For Real Estate Investment Trusts (REITS), include the common shares issuable upon conversion of outstanding Operating Partnership (OP) units in the share count for the purposes of determining: (1) market capitalization in the Shareholder Value Transfer (SVT) analysis and (2) shares outstanding in the burn rate analysis.

Option Overhang Cost

Companies with sustained positive stock performance and high overhang cost attributable to in-the-money options outstanding in excess of six years may warrant a carve-out of these options from the overhang as long as the dilution attributable to the new share request is reasonable and the company exhibits sound compensation practices. Consider CASE-BY-CASE a carve-out of a portion of cost attributable to overhang, considering the following criteria:

- *Performance:* Companies with sustained positive stock performance will merit greater scrutiny. Five-year total shareholder return (TSR), year-over-year performance, and peer performance could play a significant role in this determination.
- *Overhang Disclosure:* Assess whether optionees have held in-the-money options for a prolonged period (thus reflecting their confidence in the prospects of the company). Note that this assessment would require additional disclosure regarding a company's overhang. Specifically, the following disclosure would be required:
 - The number of in-the-money options outstanding in excess of six or more years with a corresponding weighted average exercise price and weighted average contractual remaining term;
 - The number of all options outstanding less than six years and underwater options outstanding in excess of six years with a corresponding weighted average exercise price and weighted average contractual remaining term;
 - The general vesting provisions of option grants; and
 - The distribution of outstanding option grants with respect to the named executive officers;
- *Dilution:* Calculate the expected duration of the new share request in addition to all shares currently available for grant under the equity compensation program, based on the company's three-year average burn rate (or a burn-rate commitment that the company makes for future years). The expected duration will be calculated by multiplying the company's unadjusted (options and full-value awards accounted on a one-for-one basis) three-year average burn rate by the most recent fiscal year's weighted average shares outstanding (as used in the company's calculation of basic EPS) and divide the sum of the new share request and all available shares under the company's equity compensation program by the product. For example, an expected duration in excess of five years could be considered problematic; and

- **Compensation Practices:** An evaluation of overall practices could include: (1) stock option repricing provisions, (2) high concentration ratios (of grants to top executives), or (3) additional practices outlined in the Poor Pay Practices policy.

Other Compensation Plans

401(k) Employee Benefit Plans

Vote FOR proposals to implement a 401(k) savings plan for employees.

Employee Stock Ownership Plans (ESOPs)

Vote FOR proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive (more than five percent of outstanding shares).

Employee Stock Purchase Plans-- Qualified Plans

Vote CASE-BY-CASE on qualified employee stock purchase plans. Vote FOR employee stock purchase plans where all of the following apply:

- Purchase price is at least 85 percent of fair market value;
- Offering period is 27 months or less; and
- The number of shares allocated to the plan is ten percent or less of the outstanding shares.

Vote AGAINST qualified employee stock purchase plans where any of the following apply:

- Purchase price is less than 85 percent of fair market value; or
- Offering period is greater than 27 months; or
- The number of shares allocated to the plan is more than ten percent of the outstanding shares.

Employee Stock Purchase Plans-- Non-Qualified Plans

Vote CASE-BY-CASE on nonqualified employee stock purchase plans. Vote FOR nonqualified employee stock purchase plans with all the following features:

- Broad-based participation (i.e., all employees of the company with the exclusion of individuals with 5 percent or more of beneficial ownership of the company);
- Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value;
- No discount on the stock price on the date of purchase since there is a company matching contribution.

Vote AGAINST nonqualified employee stock purchase plans when any of the plan features do not meet the above criteria. If the company matching contribution exceeds 25 percent of employee's contribution, evaluate the cost of the plan against its allowable cap.

Incentive Bonus Plans and Tax Deductibility Proposals (OBRA-Related Compensation Proposals)

Vote FOR proposals that simply amend shareholder-approved compensation plans to include administrative features or place a cap on the annual grants any one participant may receive to comply with the provisions of Section 162(m) of the Internal Revenue Code.

Vote FOR proposals to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) unless they are clearly inappropriate.

Votes to amend existing plans to increase shares reserved and to qualify for favorable tax treatment under the provisions of Section 162(m) are considered CASE-BY-CASE using a proprietary, quantitative model developed by ISS.

Generally vote FOR cash or cash and stock bonus plans that are submitted to shareholders for the purpose of exempting compensation from taxes under the provisions of Section 162(m) if no increase in shares is requested.

Vote AGAINST proposals if the compensation committee does not fully consist of independent outsiders, as defined in ISS's classification of director independence, or if the plan contains excessive problematic provisions.

Option Exchange Programs/Repricing Options

Vote AGAINST proposals seeking the authority to reprice options.

Vote AGAINST proposals seeking to approve an option exchange program.

Stock Plans in Lieu of Cash

Vote CASE-BY-CASE on plans that provide participants with the option of taking all or a portion of their cash compensation in the form of stock.

Vote FOR non-employee director-only equity plans that provide a dollar-for-dollar cash-for-stock exchange.

Vote CASE-BY-CASE on plans which do not provide a dollar-for-dollar cash for stock exchange. In cases where the exchange is not dollar-for-dollar, the request for new or additional shares for such equity program will be considered using the binomial option pricing model. In an effort to capture the total cost of total compensation, Victory will not make any adjustments to carve out the in-lieu-of cash compensation.

Transfer Stock Option (TSO) Programs

One-time Transfers: Vote AGAINST or WITHHOLD from compensation committee members if they fail to submit one-time transfers to shareholders for approval.

Vote CASE-BY-CASE on one-time transfers. Vote FOR if:

- Executive officers and non-employee directors are excluded from participating;
- Stock options are purchased by third-party financial institutions at a discount to their fair value using option pricing models such as Black-Scholes or a Binomial Option Valuation or other appropriate financial models;
- There is a two-year minimum holding period for sale proceeds (cash or stock) for all participants.

Additionally, management should provide a clear explanation of why options are being transferred to a third-party institution and whether the events leading up to a decline in stock price were beyond management's control. A review of the company's historic stock price volatility should indicate if the options are likely to be back "in-the-money" over the near term.

Ongoing TSO program: Vote AGAINST equity plan proposals if the details of ongoing TSO programs are not provided to shareholders. Since TSOs will be one of the award types under a stock plan, the ongoing TSO program, structure and mechanics must be disclosed to shareholders. The specific criteria to be considered in evaluating these proposals include, but not limited, to the following:

- Eligibility;
- Vesting;
- Bid-price;
- Term of options;
- Cost of the program and impact of the TSOs on company's total option expense
- Option repricing policy.

Amendments to existing plans that allow for introduction of transferability of stock options should make clear that only options granted post-amendment shall be transferable.

Director Compensation**Equity Plans for Non-Employee Directors**

Vote CASE-BY-CASE on compensation plans for non-employee directors, based on the cost of the plans against the company's allowable cap.

On occasion, director stock plans that set aside a relatively small number of shares when combined with employee or executive stock compensation plans will exceed the allowable cap. Vote for the plan if ALL of the following qualitative factors in the board's compensation are met and disclosed in the proxy statement:

- Director stock ownership guidelines with a minimum of three times the annual cash retainer.

- Vesting schedule or mandatory holding/deferral period:
 - A minimum vesting of three years for stock options or restricted stock; or
 - Deferred stock payable at the end of a three-year deferral period.
- Mix between cash and equity:
 - A balanced mix of cash and equity, for example 40% cash/60% equity or 50% cash/50% equity; or
 - If the mix is heavier on the equity component, the vesting schedule or deferral period should be more stringent, with the lesser of five years or the term of directorship.
- No retirement/benefits and perquisites provided to non-employee directors; and
- Detailed disclosure provided on cash and equity compensation delivered to each non-employee director for the most recent fiscal year in a table. The column headers for the table may include the following: name of each non-employee director, annual retainer, board meeting fees, committee retainer, committee-meeting fees, and equity grants.

Director Retirement Plans

Vote AGAINST retirement plans for non-employee directors.

Vote FOR shareholder proposals to eliminate retirement plans for non-employee directors.

Shareholder Proposals on Compensation

Advisory Vote on Executive Compensation (Say-on-Pay)

Generally, vote FOR shareholder proposals that call for non-binding shareholder ratification of the compensation of the Named Executive Officers and the accompanying narrative disclosure of material factors provided to understand the Summary Compensation Table.

Adopt Anti-Hedging/Pledging/Speculative Investments Policy

Generally vote FOR proposals seeking a policy that prohibits named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan. However, the company's existing policies regarding responsible use of company stock will be considered.

Bonus Banking/Bonus Banking “Plus”

Vote CASE-BY-CASE on proposals seeking deferral of a portion of annual bonus pay, with ultimate payout linked to sustained results for the performance metrics on which the bonus was earned (whether for the named executive officers or a wider group of employees), taking into account the following factors:

- The company's past practices regarding equity and cash compensation;
- Whether the company has a holding period or stock ownership requirements in place, such as a meaningful retention ratio (at least 50 percent for full tenure); and
- Whether the company has a rigorous claw-back policy in place.

Compensation Consultants- Disclosure of Board or Company's Utilization

Generally vote FOR shareholder proposals seeking disclosure regarding the Company, Board, or Compensation Committee's use of compensation consultants, such as company name, business relationship(s) and fees paid.

Disclosure/Setting Levels or Types of Compensation for Executives and Directors

Generally, vote FOR shareholder proposals seeking additional disclosure of executive and director pay information, provided the information requested is relevant to shareholders' needs, would not put the company at a competitive disadvantage relative to its industry, and is not unduly burdensome to the company.

Vote AGAINST shareholder proposals seeking to set absolute levels on compensation or otherwise dictate the amount or form of compensation.

Vote AGAINST shareholder proposals seeking to eliminate stock options or any other equity grants to employees or directors.

Vote AGAINST shareholder proposals requiring director fees be paid in stock only.

Generally vote AGAINST shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Vote CASE-BY-CASE on all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level versus peers, pay level versus industry, and long-term corporate outlook.

Golden Coffins/Executive Death Benefits

Generally vote FOR proposals calling companies to adopt a policy of obtaining shareholder approval for any future agreements and corporate policies that could oblige the company to make payments or awards following the death of a senior executive in the form of unearned salary or bonuses, accelerated vesting or the continuation in force of unvested equity grants, perquisites and other payments or awards made in lieu of compensation. This would not apply to any benefit programs or equity plan proposals that the broad-based employee population is eligible.

Hold Equity Past Retirement or for a Significant Period of Time

Vote CASE-BY-CASE on shareholder proposals asking companies to adopt policies requiring senior executive officers to retain all or a significant portion of the shares acquired through compensation plans, either:

- while employed and/or for two years following the termination of their employment ; or
- for a substantial period following the lapse of all other vesting requirements for the award ("lock-up period"), with ratable release of a portion of the shares annually during the lock-up period.

The following factors will be taken into account:

- Whether the company has any holding period, retention ratio, or officer ownership requirements in place. These should consist of:
 - Rigorous stock ownership guidelines;
 - A holding period requirement coupled with a significant long-term ownership requirement; or
 - A meaningful retention ratio;
- Actual officer stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's own stock ownership or retention requirements;
- Post-termination holding requirement policies or any policies aimed at mitigating risk taking by senior executives;
- Problematic pay practices, current and past, which may promote a short-term versus a long-term focus.

A rigorous stock ownership guideline should be at least 10x base salary for the CEO, with the multiple declining for other executives. A meaningful retention ratio should constitute at least 50 percent of the stock received from equity awards (on a net proceeds basis) held on a long-term basis, such as the executive's tenure with the company or even a few years past the executive's termination with the company.

Vote CASE-BY-CASE on shareholder proposals asking companies to adopt policies requiring Named Executive Officers to retain 75% of the shares acquired through compensation plans while employed and/or for two years following the termination of their employment, and to report to shareholders regarding this policy. The following factors will be taken into account:

- Whether the company has any holding period, retention ratio, or officer ownership requirements in place. These should consist of:
 - Rigorous stock ownership guidelines, or

- A holding period requirement coupled with a significant long-term ownership requirement, or
- A meaningful retention ratio,
- Actual officer stock ownership and the degree to which it meets or exceeds the proponent's suggested holding period/retention ratio or the company's own stock ownership or retention requirements.
- Problematic pay practices, current and past, which may promote a short-term versus a long-term focus.

A rigorous stock ownership guideline should be at least 10x base salary for the CEO, with the multiple declining for other executives. A meaningful retention ratio should constitute at least 50 percent of the stock received from equity awards (on a net proceeds basis) held on a long-term basis, such as the executive's tenure with the company or even a few years past the executive's termination with the company.

Generally vote AGAINST shareholder proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board. While Victory favors stock ownership on the part of directors, the company should determine the appropriate ownership requirement.

Non-Deductible Compensation

Generally vote FOR proposals seeking disclosure of the extent to which the company paid non-deductible compensation to senior executives due to Internal Revenue Code Section 162(m), while considering the company's existing disclosure practices.

Pay for Performance

Performance-Based Awards

Vote CASE-BY-CASE on shareholder proposal requesting that a significant amount of future long-term incentive compensation awarded to senior executives shall be performance-based and requesting that the board adopt and disclose challenging performance metrics to shareholders, based on the following analytical steps:

- First, vote FOR shareholder proposals advocating the use of performance-based equity awards, such as performance contingent options or restricted stock, indexed options or premium-priced options, unless the proposal is overly restrictive or if the company has demonstrated that it is using a "substantial" portion of performance-based awards for its top executives. Standard stock options and performance-accelerated awards do not meet the criteria to be considered as performance-based awards. Further, premium-priced options should have a premium of at least 25 percent and higher to be considered performance-based awards.
- Second, assess the rigor of the company's performance-based equity program. If the bar set for the performance-based program is too low based on the company's historical or peer group comparison, generally vote FOR the proposal. Furthermore, if target performance results in an above target payout, vote FOR the shareholder proposal due to program's poor design. If the company does not disclose the performance metric of the performance-based equity program, vote FOR the shareholder proposal regardless of the outcome of the first step to the test.

In general, vote FOR the shareholder proposal if the company does not meet both of the above two steps.

Pay for Superior Performance

Generally vote AGAINST, if a majority of pay is already linked to performance than proposal is redundant.

Pre-Arranged Trading Plans (10b5-1 Plans)

Generally vote FOR shareholder proposals calling for certain principles regarding the use of prearranged trading plans (10b5-1 plans) for executives. These principles include:

- Adoption, amendment, or termination of a 10b5-1 Plan must be disclosed within two business days in a Form 8-K;
- Amendment or early termination of a 10b5-1 Plan is allowed only under extraordinary circumstances, as determined by the board;
- Ninety days must elapse between adoption or amendment of a 10b5-1 Plan and initial trading under the plan;
- Reports on Form 4 must identify transactions made pursuant to a 10b5-1 Plan;

- An executive may not trade in company stock outside the 10b5-1 Plan.
- Trades under a 10b5-1 Plan must be handled by a broker who does not handle other securities transactions for the executive.

Prohibit CEOs from serving on Compensation Committees

Generally vote AGAINST proposals seeking a policy to prohibit any outside CEO from serving on a company's compensation committee, unless the company has demonstrated problematic pay practices that raise concerns about the performance and composition of the committee.

Recoup Bonuses

Vote CASE-BY-CASE on proposals to recoup unearned incentive bonuses or other incentive payments made to senior executives if it is later determined that the figures upon which incentive compensation is earned later turn out to have been in error. This is line with the clawback provision in the Troubled Asset Relief Program. Many companies have adopted policies that permit recoupment in cases where fraud, misconduct, or negligence significantly contributed to a restatement of financial results that led to the awarding of unearned incentive compensation. Victory will take into consideration:

- If the company has adopted a formal recoupment bonus policy;
- If the company has chronic restatement history or material financial problems; or
- If the company's policy substantially addresses the concerns raised by the proponent.

Severance Agreements for Executives/Golden Parachutes

Vote FOR shareholder proposals requiring that golden parachutes or executive severance agreements be submitted for shareholder ratification, unless the proposal requires shareholder approval *prior* to entering into employment contracts.

Vote CASE-BY-CASE on proposals to ratify or cancel golden parachutes. An acceptable parachute should include, but is not limited to, the following:

- The triggering mechanism should be beyond the control of management;
- The amount should not exceed three times base amount (defined as the average annual taxable W-2 compensation during the five years prior to the year in which the change of control occurs);
- Change-in-control payments should be double-triggered, i.e., (1) after a change in control has taken place, and (2) termination of the executive as a result of the change in control. Change in control is defined as a change in the company ownership structure.

Share Buyback Holding Periods

Generally vote AGAINST shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. Vote FOR the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

Stock Retention/Holding Period

Vote AGAINST shareholder proposals asking companies to adopt holding periods or retention ratios for their executives.

Supplemental Executive Retirement Plans (SERPs)

Generally vote FOR shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

Generally vote FOR shareholder proposals requesting to limit the executive benefits provided under the company's supplemental executive retirement plan (SERP) by limiting covered compensation to a senior executive's annual salary and excluding of all incentive or bonus pay from the plan's definition of covered compensation used to establish such benefits.

Tax Gross-Up Proposals

Generally vote FOR proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives, except in situations where gross-ups are provided pursuant to a plan, policy, or arrangement applicable to management employees of the company, such as a relocation or expatriate tax equalization policy.

Termination of Employment Prior to Severance Payment and Eliminating Accelerated Vesting of Unvested Equity

Vote CASE-BY-CASE on shareholder proposals seeking a policy requiring termination of employment prior to severance payment, and eliminating accelerated vesting of unvested equity. Change-in-control payouts without loss of job or substantial diminution of job duties (single-triggered) are consider a poor pay practice under Victory policy, and may even result in withheld votes from compensation committee members. The second component of this proposal -- related to the elimination of accelerated vesting -- requires more careful consideration. The following factors will be taken into regarding this policy.

- The company's current treatment of equity in change-of-control situations (i.e. is it double triggered, does it allow for the assumption of equity by acquiring company, the treatment of performance shares).
- Current employment agreements, including potential poor pay practices such as gross-ups embedded in those agreements.

Generally vote FOR proposals seeking a policy that prohibits acceleration of the vesting of equity awards to senior executives in the event of a change in control (except for pro rata vesting considering the time elapsed and attainment of any related performance goals between the award date and the change in control).

Social/Environmental Issues

Human Rights

Vote CASE-BY-CASE on proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process, considering:

- The degree to which existing relevant policies and practices are disclosed, including information on the implementation of these policies and any related oversight mechanisms;
- The company's industry and whether the company or its suppliers operate in countries or areas where there is a history of human rights concerns;
- Recent, significant controversies, fines, or litigation regarding human rights involving the company or its suppliers, and whether the company has taken remedial steps; and
- Whether the proposal is unduly burdensome or overly prescriptive.

Diversity

Board Diversity

Generally vote AGAINST requests for reports on the company's efforts to diversify the board, if the company has a Board & Nominating Committee that has a practice of selecting candidates based on knowledge, experience, and skills regardless of gender or race.

Equality of Opportunity

Generally vote AGAINST proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data, including requests for EEO-1 data, if the company already has a policy in place

Political Contributions

Vote case-by-case on proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures, considering:

- The company's current disclosure of relevant lobbying policies, and management and board oversight;

- The company's disclosure regarding trade associations or other groups that it supports, or is a member of, that engage in lobbying activities; and

Recent significant controversies, fines, or litigation regarding the company's lobbying-related activities.

General Sustainability Reporting Proposals

Generally vote AGAINST if:

- company already provides sustainability reporting, even if it doesn't follow the specific standards requested in the proposal
- Similar disclosure as its peers
- Free from any major incidents in the past several years

Mutual Fund Proxies

Election of Directors

Vote CASE-BY-CASE on the election of directors and trustees, following the same guidelines for uncontested directors for public company shareholder meetings. However, mutual fund boards do not usually have compensation committees, so do not withhold for the lack of this committee.

Converting Closed-end Fund to Open-end Fund

Vote CASE-BY-CASE on conversion proposals, considering the following factors:

- Past performance as a closed-end fund;
- Market in which the fund invests;
- Measures taken by the board to address the discount; and
- Past shareholder activism, board activity, and votes on related proposals.

Proxy Contests

Vote CASE-BY-CASE on proxy contests, considering the following factors:

- Past performance relative to its peers;
- Market in which fund invests;
- Measures taken by the board to address the issues;
- Past shareholder activism, board activity, and votes on related proposals;
- Strategy of the incumbents versus the dissidents;
- Independence of directors;
- Experience and skills of director candidates;
- Governance profile of the company;
- Evidence of management entrenchment.

Investment Advisory Agreements

Vote CASE-BY-CASE on investment advisory agreements, considering the following factors:

- Proposed and current fee schedules;
- Fund category/investment objective;
- Performance benchmarks;
- Share price performance as compared with peers;
- Resulting fees relative to peers;
- Assignments (where the advisor undergoes a change of control).

Approving New Classes or Series of Shares

Vote FOR the establishment of new classes or series of shares.

Preferred Stock Proposals

Vote CASE-BY-CASE on the authorization for or increase in preferred shares, considering the following factors:

- Stated specific financing purpose;

- Possible dilution for common shares;
- Whether the shares can be used for antitakeover purposes.

1940 Act Policies

Vote CASE-BY-CASE on policies under the Investment Advisor Act of 1940, considering the following factors:

- Potential competitiveness;
- Regulatory developments;
- Current and potential returns; and
- Current and potential risk.

Generally vote FOR these amendments as long as the proposed changes do not fundamentally alter the investment focus of the fund and do comply with the current SEC interpretation.

Changing a Fundamental Restriction to a Nonfundamental Restriction

Vote CASE-BY-CASE on proposals to change a fundamental restriction to a non-fundamental restriction, considering the following factors:

- The fund's target investments;
- The reasons given by the fund for the change; and
- The projected impact of the change on the portfolio.

Change Fundamental Investment Objective to Nonfundamental

Vote AGAINST proposals to change a fund's fundamental investment objective to non-fundamental.

Name Change Proposals

Vote CASE-BY-CASE on name change proposals, considering the following factors:

- Political/economic changes in the target market;
- Consolidation in the target market; and
- Current asset composition.

Change in Fund's Subclassification

Vote CASE-BY-CASE on changes in a fund's sub-classification, considering the following factors:

- Potential competitiveness;
- Current and potential returns;
- Risk of concentration;
- Consolidation in target industry.

Disposition of Assets/Termination/Liquidation

Vote CASE-BY-CASE on proposals to dispose of assets, to terminate or liquidate, considering the following factors:

- Strategies employed to salvage the company;
- The fund's past performance;
- The terms of the liquidation.

Changes to the Charter Document

Vote CASE-BY-CASE on changes to the charter document, considering the following factors:

- The degree of change implied by the proposal;
- The efficiencies that could result;
- The state of incorporation;
- Regulatory standards and implications.

Vote AGAINST any of the following changes:

- Removal of shareholder approval requirement to reorganize or terminate the trust or any of its series;

- Removal of shareholder approval requirement for amendments to the new declaration of trust;
- Removal of shareholder approval requirement to amend the fund's management contract, allowing the contract to be modified by the investment manager and the trust management, as permitted by the 1940 Act;
- Allow the trustees to impose other fees in addition to sales charges on investment in a fund, such as deferred sales charges and redemption fees that may be imposed upon redemption of a fund's shares;
- Removal of shareholder approval requirement to engage in and terminate subadvisory arrangements;
- Removal of shareholder approval requirement to change the domicile of the fund.

Changing the Domicile of a Fund

Vote CASE-BY-CASE on re-incorporations, considering the following factors:

- Regulations of both states;
- Required fundamental policies of both states;
- The increased flexibility available.

Authorizing the Board to Hire and Terminate Subadvisors Without Shareholder Approval

Vote AGAINST proposals authorizing the board to hire/terminate subadvisors without shareholder approval.

Distribution Agreements

Vote CASE-BY-CASE on distribution agreement proposals, considering the following factors:

- Fees charged to comparably sized funds with similar objectives;
- The proposed distributor's reputation and past performance;
- The competitiveness of the fund in the industry;
- The terms of the agreement.

Master-Feeder Structure

Vote FOR the establishment of a master-feeder structure.

Mergers

Vote CASE-BY-CASE on merger proposals, considering the following factors:

- Resulting fee structure;
- Performance of both funds;
- Continuity of management personnel;
- Changes in corporate governance and their impact on shareholder rights.

Shareholder Proposals for Mutual Funds

Establish Director Ownership Requirement

Generally vote AGAINST shareholder proposals that mandate a specific minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

Reimburse Shareholder for Expenses Incurred

Vote CASE-BY-CASE on shareholder proposals to reimburse proxy solicitation expenses. When supporting the dissidents, vote FOR the reimbursement of the proxy solicitation expenses.

Terminate the Investment Advisor

Vote CASE-BY-CASE on proposals to terminate the investment advisor, considering the following factors:

- Performance of the fund's Net Asset Value (NAV);
- The fund's history of shareholder relations;
- The performance of other funds under the advisor's management.

Victory will vote proxies for international holdings in the best interests of its shareholders. Victory will attempt to process every proxy it receives for all International foreign proxies. However, there may be situations in which Victory may vote against, withhold a vote or cannot vote at all. For example, Victory may not receive a meeting notice in enough time to vote or Victory may not be able to obtain enough information on the international security, in which case we will vote against.

In certain foreign jurisdictions, voting of proxy will result in the lockup of shares, impairing Victory's ability to trade those shares for several days. This could result in significant loss to the investor. Consequently, in those foreign jurisdictions which engage in this practice, Victory will generally refrain from proxy voting.

In other foreign jurisdictions, the determination by the Proxy Committee to vote, or refrain from voting, proxy will take into consideration any additional costs to investors which may be incurred from research and voting process.

Additional Topics

Any issue not covered within the guidelines will be evaluated by the Proxy Committee on a case-by-case basis.

Material Conflicts of Interest

In the event a material conflict of interest arises between Victory's interests and those of a client during the course of voting client's proxies, the Proxy Committee shall:

- Vote the proxy in accordance with the Proxy Voting Guidelines unless such guidelines are judged by the Proxy Committee to be inapplicable to the proxy matter at issue
- In the event that the Proxy Voting Guidelines are inapplicable, determine whether a vote for, or against, the proxy is in the best interest of the client's account
- Document the nature of the conflict and the rationale for the recommended vote
- Solicit the opinions of Victory's Chief Compliance Officer, and if necessary the Chief Legal Officer, or their designee, or consult an internal or external, independent adviser
- If a member of the Proxy Committee has a conflict (e.g. –family member on board of company) –he/she will not vote (or reclude themselves from voting).
- Report to the Victory Capital Management Board any proxy votes that took place with a material conflict situation present, including the nature of the conflict and the basis or rationale for the voting decision made. Such a report should be given at the next scheduled Board Meeting or other appropriate timeframe as determined by the Board.

Recordkeeping

In accordance with Rule 204-2(c)(2) under the Investment Advisers Act of 1940, as amended, Victory will retain the following records with respect to proxy voting:

- copies of all policies and procedures required by Rule 206(4)-6
- a written record of votes cast on behalf of clients
- any documents prepared by Victory or the Proxy Committee germane to the voting decision
- a copy of each written client request for information on how Victory voted proxies on such client's behalf
- a copy of any written response by Victory to any written or verbal client request for information on how Victory voted such client's proxies

Glossary

Blank Check Preferred Stock – A popular term for preferred stock in which the board of directors is given broad discretion to establish voting, conversion, dividend and other rights of preferred stock at the time the board issues the stock. Some boards that have authority to issue blank check preferred stock have used it to create takeover defenses.

Bylaw - Bylaws supplement each company's charter, spelling out in more specific detail general provisions contained in the charter. Board of Directors often have the power to change bylaw provisions without shareholder approval.

Charter - Also known as the articles of incorporation, the charter sets forth the respective rights and duties of shareholders, officers, and directors. The charter constitutes the fundamental governing rules for each corporation. Shareholder approval is required to amend a company's charter.

Classified Board - A classified board is a board that is divided into separate classes, with directors serving overlapping terms. A company with a classified board usually divides the board into three classes; each year, one-third of the directors stand for election. A classified board makes it difficult to change control of the board through a proxy contest, since it would normally take two years to gain control of a majority of board seats.

Confidential Voting - Also known as closed voting or voting by secret ballot, under confidential voting procedures, all proxies, ballots and voting tabulations that identify shareholders are kept confidential. Independent vote tabulators and inspectors of election are responsible for examining individual ballots, while management and shareholders are only told vote totals.

Corporate Governance - Corporate governance is the framework within which corporations exist. Its focus is the relationship among officers, directors, shareholders, stakeholders and government regulators, and how these parties interact to oversee the operations of a company.

Cumulative Voting - Normally, shareholders cast one vote for each director for each share of stock owned. Cumulative voting permits shareholders to apportion the total number of votes they have in any way they wish among candidates for the board. Where cumulative voting is in effect, a minority of shares may be able to elect one or more directors by giving all of their votes to one or several candidates.

Fair Price Provisions - Fair price requirements compel anyone acquiring control of a corporation to pay all shareholders the highest price that the acquirer pays to any shareholder during a specified period of time. Fair price requirements are intended to deter two-tier tender offers in which shareholders who tender their shares first receive a higher price for their shares than other shareholders.

Greenmail - Greenmail refers to the practice of repurchasing shares from a bidder at an above-market price in exchange for the bidder's agreement not to acquire the target company. Greenmail is widely considered to a form of blackmail. Some companies have attempted to deter greenmail by adding anti-greenmail provisions to their charters.

Indemnification - Indemnification permits corporations to reimburse officers and directors for expenses they incur as a result of being named as defendants in lawsuits brought against the corporation. Indemnification often covers judgment awards and settlements as well as expenses. Without indemnifications, or directors' liability insurance, most companies would be unable to attract outside directors to serve on their boards.

Majority Voting – The standard whereby a director or nominee will be elected only if receiving an affirmative majority of votes cast, even if running unopposed for an open seat. In contrast, the plurality standard holds that a nominee or director will be elected based on having received the most votes, whether or not having received an affirmative majority of votes cast.

Glossary (Cont.)

Poison Pill - The popular term for a takeover defense that permits all shareholders other than an acquirer to purchase shares in a company at a discount if the company becomes a takeover target. A company with a pill (also known as a shareholder rights plan) usually distributes warrants or purchase rights that become exercisable when a triggering event occurs. The triggering event occurs when an acquirer buys more than a specified amount of a target company's stock without permission of the target company's board. Once the pill is triggered, shareholders (except for the acquirer) usually have the right to purchase shares directly from the target company at a 50 percent discount, diluting both ownership interest and voting rights. Most pills have provisions that permit the board to cancel the pill by redeeming the outstanding warrants or rights at nominal cost. Pills can force acquirers to bargain directly with a target company's board, but they can also be used to deter or to block acquisition bids altogether. Corporations are not required by law to submit their poison pills for shareholder approval, and very few companies have chosen to seek shareholder approval.

Pre-emptive Rights - pre-emptive rights are intended to allow existing shareholders to maintain their proportionate level of ownership by giving them the opportunity to purchase additional shares pro rata before they are offered to the public. pre-emptive rights are something of an anachronism today because shareholders of publicly traded companies who want to maintain their proportionate ownership interest may do so by purchasing shares in the open market. Many companies whose charters have pre-emptive rights provisions have asked shareholders to amend their charters to abolish pre-emptive rights.

Proxy - The granting of authority by shareholders to others, most often corporate management, to vote their shares at an annual or special shareholders' meeting.

Proxy Contest - Proxy contests take different forms. The most common type of proxy contest is an effort by dissident shareholders to elect their own directors. A contest may involve the entire board, in which case the goal is to oust incumbent management and take control of the company. Or, it may involve a minority of board seats, in which case dissidents seek a foothold position to change corporate strategy without necessarily changing control. Proxy contests may also be fought over corporate policy questions; dissidents may, for example, wage a proxy contest in support of a proposal to restructure or sell a corporation. Many proxy contests are today waged in conjunction with tender offers as a means of putting pressure on a target company's board to accept the tender offer. In a well-financed proxy contest, dissidents usually print and distribute their own proxy materials, including their own proxy card. Proxy contests usually feature letter writing and advertisement campaigns to win shareholder support.

Proxy Statement – A document in which parties soliciting shareholder proxies provide shareholders with information on the issues to be voted on at an annual or special shareholder's meeting. The soliciting party generally presents arguments as to why shareholders should grant them their proxy. The information that must be disclosed to shareholders is set forth in Schedule 14A of the Securities Exchange Act of 1934 for a proxy solicited by the company and in Schedule 14B for the act for proxies solicited by others.

Recapitalization Plan - A recapitalization plan is any plan in which a company changes its capital structure. Recapitalization can result in larger or smaller numbers of shares outstanding, or in creation of new classes of stock in addition to common stock. Recapitalization plans must be approved by shareholders.

Reincorporation - Reincorporation refers to changing the state of incorporation. A company that reincorporates must obtain shareholder approval for the move and for the new charter it adopts when it shifts its state of incorporation. Many reincorporations involve moves to Delaware to take advantage of Delaware's flexible corporate laws.

Restricted Stock – Stock that must be traded in compliance with special SEC regulations concerning its purchase and resale from affiliate ownership, M&A activity and underwriting activity.

Restructuring Plan - A restructuring plan is any plan that involves a significant change in a company's capital structure. This would include a recapitalization plan, a leveraged buyout, or a major sale of assets. Restructuring plans after shareholder approval before they can be implemented.

Glossary (Cont.)

Rights of Appraisal - Rights of appraisal provide shareholders who do not approve of the terms of certain corporate transactions the right to demand a judicial review in order to determine the fair value for their shares. The right of appraisal generally applies to mergers, sales of essentially all assets of the corporation, and charter amendments that may have a materially adverse effect on the rights of dissenting shareholders.

Share Repurchase Plan – A repurchase plan is a program by which a Company buys back its own shares from the market, thereby, reducing the number of outstanding shares. This is generally an indication that the Company thinks the shares are undervalued.

Stakeholder Laws - In essence, stakeholder laws state that corporate directors owe a duty to a host of constituencies beyond shareholders: local communities, employees, suppliers, creditors, and others. This is in contrast to the traditional model of the publicly held corporation in law and economics which says that corporate directors have a legally enforceable duty to one constituency - their shareowners.

Supermajority - Most state corporation laws require that mergers, acquisitions and amendments to the corporate charter be approved by a majority of the outstanding shares. A company may, however, set a higher requirement by obtaining shareholder approval for a higher threshold. Some supermajority requirements apply to mergers and acquisitions. Others apply to amendments to the charter itself - that is, the charter, or certain parts of it, may be amended in the future only if the amendments receive the specified supermajority level of support.

Sustainability Report – A company report on policies and initiatives related to social, economic or environmental issues.

Written Consent - The ability to act by written consent to allow shareholders to take action collectively without a shareholders' meeting. The written consent procedure was developed originally to permit closely held corporations to act quickly by obtaining consents from their shareholders. The procedure is, however, available in many states to publicly traded companies as well, unless prohibited or restricted in a company's charter. Many companies have sought shareholder approval to restrict or abolish the written consent procedure; their principal reason for doing so is to prevent takeovers opposed by the incumbent board and management.

Executive Compensation Terms

At-the-Money Option - An option with exercise price equal to the current market price.

Change-in-Control Provision - A provision in a stock option plan that allows for immediate vesting of outstanding options if certain events take place which may be deemed a change in control, such as the purchase of a majority of the company's outstanding shares by a third party.

Deferred Stock - A share grant in which the participant receives a specified amount of shares, granted at no cost, if he remains employed with the company for a certain period of time. The participant does not have voting or dividend rights prior to vesting, though dividends typically accumulate until vesting.

Employee Stock Purchase Plan - A plan qualified under Section 423 of the IRS Code, which allows employees to purchase shares of stock through payroll deductions.

Employee Stock Ownership Plan (ESOP) - A qualified defined contribution plan under the IRS Code which allows the ESOP plan trustees to invest up to 100 percent of the plan's assets in shares or its own company stock.. Variants of these plans include the stock bonus plan, the leveraged stock bonus plan (where the trust can borrow money from lending sources to buy more stock), and matching ESOP's (in which employees match the contribution that the company makes). ESOP's offer employees tax deferral benefits and companies a tax deduction.

Executive Compensation Terms (Cont.)

Exercise Price - Sometimes referred to as the strike price, this is the price at which shares may be exercised under a plan. Exercise prices may be fixed, variable or tied to a formula.

Incentive Stock Options (ISO's) - Also referred to as qualified stock options, these rights permit the participant to buy shares before the expiration date at a predetermined exercise price set at or above fair market value at grant date. The term of such awards may be ten years or longer. The company is not allowed to take a tax deduction for ISO's unless a disqualifying disposition takes place.

Indexed Option - The right, but not the obligation, to purchase shares at an exercise price that periodically adjusts upward or downward in relation to a market or industry indicator.

Omnibus Plan - A stock-based incentive plan providing significant flexibility by authorizing the issue of a number of award types, which may include incentive stock options, nonqualified stock options, SAR's, restricted stock, performance shares, performance units, stock grants, and cash.

Performance Shares - Stock grants contingent upon the achievement of specified performance goals. The number of shares available typically varies with performance as measured over a specified period. Few companies clearly identify the criteria used to select performance measures or the specific hurdle rates that must be met. Performance periods typically extend for a three- to five- year period.

Premium-Priced Options - An option whose exercise price is set above fair market value on grant date.

Repricing - An amendment to a previously granted stock option contract that reduces the option exercise price. Options can also be repriced through cancellations and regrants. The typical new grant would have a ten-year term, new vesting restrictions, and a lower exercise price reflecting the current lower market price.

Restricted Stock - A grant of stock, subject to restrictions, with little or no cost to the participant. Such shares are usually subject to forfeiture if the holder leaves the company before a specified period of time; thus, the awards are often used to retain employees. The restrictions usually lapse after three to five years, during which time the holder cannot sell the shares. Typically, the holder is entitled to vote the stock and receives dividends on the shares.

Section 162(m) - The IRS Code Section that limits the deductibility of compensation in excess of \$1 million to a named executive officer unless certain prescribed actions are taken.

Shareholder Value Transfer (SVT) - A dollar-based cost which measures the amount of shareholders' equity flowing out of the company to executives as options are exercised. The strike price of an option is paid at the time of exercise and flows back to the company. The profit spread, or the difference between the exercise price and the market price, represents a transfer of shareholders' equity to the executive. The time value of money is also a significant cost impacting shareholders' equity.

Stock Appreciation Rights (SARs) - An award paid in cash or shares to the employee equal to the stock price appreciation from the time of grant to the exercise date. When granted in tandem with options, the exercise of the SAR cancels the option.

Vesting Schedule - A holding period following grant date during which time options may not be exercised.

Volatility - The potential dispersion of a company's stock price over the life of an option.

Voting Power Dilution (VPD) - The relative reduction in voting power as stock-based incentives are exercised and existing shareholders' proportional ownership in the company is diluted.

Scope

This policy applies to Victory Capital Management Inc. The entity and its employees are responsible for complying with this policy. The Legal and Compliance Department owns this policy.

Exception / Escalation Policy

All material exceptions to this policy will be reported to the Compliance Committee and Victory Capital Management Inc. board members. If needed, exceptions may also be presented to the Victory Capital Holdings Inc. board members.

Effective Date: August 18, 2003

Revised Date: February 10, 2014

Reviewed Date: February 10, 2014

Victory Capital Management Inc. Board Approval: February 10, 2014



FACTS	WHAT DOES VICTORY DO WITH YOUR PERSONAL INFORMATION?		
Why?	Financial companies choose how they share personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect personal information. Please read this notice carefully to understand what we do.		
What?	The types of personal information we collect and share depend on the product and services you have with us. This information can include: <ul style="list-style-type: none">• Social Security number and investment experience• Account balance and transaction history• Assets and income		
How?	All financial companies need to share customer's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Victory chooses to share, and whether you can limit this sharing.		
Reasons we can share your personal information		Does Victory Share?	Can you limit the sharing?
For our everyday business purposes - such as to process your transactions, maintain your accounts, and respond to court orders and legal investigations, or report to credit bureaus		Yes	No
For our marketing purposes - to offer our products and services to you		Yes	No
For joint marketing with other financial companies		No	We don't share
For our affiliates' everyday business purposes - information about your transactions and experiences		Yes	No
For our affiliates everyday purposes - information about your credit worthiness		No	We don't share
To our affiliates to market to you		No	We don't share
For nonaffiliates to market to you		No	We don't share
Questions?	Call 1-877-660-4400 or go to www.vcm.com		

Who we are	
Who is providing this notice?	Victory Capital Management Inc. and Victory Capital Advisers, Inc., together referred to as “Victory”
What we do	
How does Victory protect my personal information?	To protect your information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Victory collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> • open an account or enter into an investment advisory contract • direct us to buy or sell securities • seek advice about your investment. <p>We also collect your personal information from other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>Victory Capital Management Inc. and Victory Capital Advisers, Inc. are affiliates of one another because they are under the common control of Victory Capital Holdings, Inc.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>Victory does not share with nonaffiliates so they can market to you.</i>
Joint Marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> • <i>Victory does not jointly market.</i>
Other Important Information	
You may have other privacy protections under applicable state laws.	

Victory Capital Management Inc.

Victory Capital Management Inc.
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Brooklyn, OH 44144
(877) 660-4400
www.vcm.com
www.victoryfunds.com

Investment Adviser Brochure Form ADV Part 2A

March 31, 2014

This brochure provides information about the qualifications and business practices of **Victory Capital Management Inc.** If you have any questions about the contents of this brochure, please contact us at (216) 898-2400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Victory Capital Management Inc. is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about Victory Capital Management Inc. is available at the SEC’s website at: www.adviserinfo.sec.gov.



ITEM 2: MATERIAL CHANGES

This Brochure dated March 31, 2014 reflects the following changes from our annual update on March 27, 2013:

- While not a material change to the brochure, we do note that effective December 1, 2013, Colin Kinney, Chief Risk Officer, was appointed as Chief Compliance Officer, replacing Holly Cavalier
- Discontinued the Passive Equity, Taxable Fixed Income and Tax Free Bond strategies
- Added the following strategies: Victory Select, ACWI ex US Small Cap Equity, International SMID Cap Equity, and International Micro Cap Equity strategies
- Lowered fee schedule for International Large Cap and Global Equity strategies
- Lowered minimum annual fee for International Large Cap, International Large Cap Select and Global Equity strategies
- Lowered fee schedule and increased minimum annual fee for Emerging Markets Small Cap strategy
- Added disclosure on the sale of VCM from KeyCorp to Victory Capital Holdings and Crestview Partners II, L.P. and its affiliated funds (together, “Crestview”) with a substantial minority interest owned by employees of Victory
- Removed references to KeyBank NA and KeyCorp, our previous owner
- Updated assets under management as of December 31, 2013
- Added language to Item 6: Performance Based Fees / Side by Side Management to include proprietary products and provide additional detail for the definition of proprietary accounts
- Expanded the material risk sections for all strategies listed under Item 8
- Added language to Item 10 referencing KPB Investment Advisors, LLC as sub-adviser to the Victory Ohio Municipal Bond Fund and Victory National Municipal Bond Fund
- Added language to Item 12 which provides additional information regarding trade rotation

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ITEM 4: ADVISORY BUSINESS

Victory Capital Management Inc. ("Victory") is an investment advisory firm registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended ("Advisers Act") that provides investment advice to primarily institutions and some individuals. Victory, through its predecessors, has been providing investment advice since 1912. Victory is a wholly owned subsidiary of Victory Capital Holdings, Inc. ("VCH"). A majority of the interest in VCH is owned by Crestview Partners II, L.P. and its affiliated funds (together, "Crestview") with a substantial minority interest owned by employees of Victory. Victory provides investment advisory services to the following types of clients: Corporations, Foundations, Endowments, Public Funds and Taft-Hartley Funds. We serve as the investment adviser to the Victory Funds and certain private offerings. Victory also serves as the investment sub-adviser to mutual funds, wrap programs, other investment advisers, banks and pooled funds such as collective funds, charitable funds and trust funds.

Victory manages various investment strategies in the equity, fixed income and hybrid asset classes. We differentiate investment strategies by market capitalization, style and location for the equity asset class. Additionally, Victory produces company-specific research. We currently offer the following investment strategies:

Domestic Equity

Strategy Name	Style
Diversified Equity	Large Cap Core
Victory Select	Large Cap Core
Large Cap Growth	Large Cap Growth
Mid Cap Core	Mid Cap Core
Mid Cap Value	Mid Cap Value
Small Cap Value	Small Cap Value
Dividend Growth	Large Cap Core

International Equity

Strategy Name	Style
International Large Cap Select Equity	International Large Cap
International Small Cap Equity	International Small Cap
International SMID Cap Equity	International SMID Cap
International Micro Cap Equity	International Micro Cap
ACWI ex US Small Cap Equity	ACWI ex US Small Cap Equity
Emerging Markets Small Cap Equity	Emerging Markets Small Cap Equity
International Large Cap Equity	International Large Cap
Global Equity	Global Equity

Hybrid

Strategy Name	Style
Investment Grade Convertible Securities	Investment Grade Convertible Securities

Fixed Income

Strategy Name	Style
Short Govt. / Mortgage-Backed Securities	Short Govt. / Mortgage-Backed Securities

Victory's investment strategies specialize in investing in specific asset classes and do not represent a complete investment program. Each of our strategies is intended to be one of several components of a client account's overall asset allocation. For details, please see *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss*. Victory does not offer financial planning services.

As a client of Victory, you choose the investment strategy in which you would like your account to be managed. By agreement, you may impose restrictions on Victory to follow in the management of your account. For details, please see *Item 16: Investment Discretion*.

Victory also provides investment advice to individual clients indirectly through third-party sponsors of "wrap" programs. In these programs, financial advisors employed by sponsor firms are hired by individual clients to assist in the asset allocation of their investment account. Sponsor firms offer their clients access to multiple investment advisers, including Victory. The ultimate decision to have Victory manage wrap assets is made jointly by the sponsor's financial adviser and the individual client. Individual clients pay an advisory fee to the sponsor firm, which in turn pays a portion of that fee to Victory. Management of wrap accounts can differ slightly from management of our other accounts due to a variation in particular investments or in the timing or method of executing trades. Victory also provides discretionary and non-discretionary investment management services to a number of investment advisers and broker dealers. These arrangements are known as unified managed accounts ("UMA"). For more information, please see *Item 12: Brokerage Practices*.

As of December 31, 2013, Victory managed approximately \$18.8 billion in client assets on a discretionary and non-discretionary basis. For more information please see *Item 16: Investment Discretion*.

ITEM 5: FEES AND COMPENSATION

In most cases, you will pay an investment advisory fee to Victory based on a percentage of assets under management. Fees are generally charged quarterly in arrears, based on month-end account values. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. In the case where you pay an investment advisory fee in advance and you terminate your account during a calendar quarter, you will receive a refund on a pro-rata basis.

Institutional accounts and private offering fees are negotiable in limited circumstances. When negotiating fees, we take into account the strategy and size of the account and overall relationship. Victory does impose minimum mandate sizes and minimum annual fees. The following table represents our standard investment advisory fees:

Strategy	Institutional Managed Accounts							
	Annual Asset Min	Fee Min	\$0-\$10m	\$10-\$25m	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m
Domestic Equity								
Diversified Equity	\$25m	\$150k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Victory Select	\$10m	\$60k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Dividend Growth	\$10m	\$60k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Large Cap Growth	\$10m	\$65k	N/A	N/A	0.65%	0.55%	0.45%	0.40%
Mid Cap Core	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
Mid Cap Value	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
Small Cap Value	\$10m	\$100k	1.00%	0.85%	N/A	0.80%	0.75%	0.70%
International Equity								
International Large Cap Equity	\$10m	\$50k	N/A	N/A	0.50%	0.45%	0.40%	0.35%
Intl Large Cap Select Equity	\$10m	\$50k	N/A	N/A	0.50%	0.45%	0.40%	0.35%
Global Equity	\$10m	\$50k	N/A	N/A	0.50%	0.45%	0.40%	0.35%
International Micro Cap Equity	\$10m	\$125k	N/A	N/A	1.25%	1.25%	1.25%	1.25%
International Small Cap Equity	\$10m	\$100k	N/A	N/A	1.00%	0.90%	0.90%	0.85%
International SMID Cap Equity	\$10m	\$95k	N/A	N/A	0.95%	0.85%	0.85%	0.80%
ACWI ex US Small Cap Equity	\$10m	\$105k	N/A	N/A	1.00%	0.90%	0.90%	0.85%
Emerging Markets Small Cap	\$25m	\$300k	N/A	N/A	N/A	1.20%	1.10%	1.00%
Hybrid								
Inv. Grade Conv. Securities	\$10m	\$55k	N/A	N/A	0.55%	0.50%	0.45%	0.40%
Taxable Fixed								
Short Govt. / Mortgage-Backed Securities	Annual Asset Min	Fee Min	\$0-\$50m	\$50m-\$100m	>\$100m			
	\$20m	\$70k	0.35%	0.30%	0.25%			

Depending on how you are invested with Victory, the method of paying your advisory fee may differ:

- Institutional accounts: You are given the option to receive and pay invoices or you can receive the invoice and authorize your custodian to pay. We do not have actual custody of client assets and therefore cannot deduct fees directly from client accounts. Victory may send a client's fee invoice to the client's custodian for fee payment based upon written instructions received from the client. For details on custody, see *Item 15: Custody*.
- Private offerings: Fees are paid as provided in your private offering documents.
- Mutual funds: Fees are deducted daily through a reduction in the fund's Net Asset Value (NAV).
- Wrap and UMA programs: Fees vary and are paid through the wrap sponsor firm. Fees may be charged either in advance or arrears depending on the agreement

between Victory and the sponsor firm, or the dual contract agreement between Victory and the client.

In addition to the advisory fee paid to Victory, clients may directly and indirectly pay other fees associated with their accounts and investments. Such fees may include the following:

- Custody Fees: Institutional account clients select their custodian and must negotiate custody and transaction fees directly with the chosen custodian.
- Brokerage Fees: If you invest in equity products, you will incur brokerage fees. These fees are included in the price at which trades are executed. For an explanation of brokerage, please see *Item 12: Brokerage Practices*.
- Other Fees: Clients may incur additional fees or charges in connection with their accounts or certain securities transactions including other execution or service charges, dealer mark-ups and mark-downs, odd-lot differentials, exchange fees, transfer taxes, electronic fund transfer fees, trust custodial fees and any charges mandated by law.

Investors in private offerings and pooled investment vehicles incur fees to cover operating expenses, as disclosed in the offering documents associated with such investments.

Victory Fund shareholders are charged fees to cover operating and distribution expenses, including sales loads. These fees vary by fund and share class and are disclosed in the fund's prospectus. Additionally, mutual fund clients may be charged fees by their financial adviser.

If a client invests in a Victory Fund through a separately managed account, a conflict may arise. We are compensated to manage client assets and assets of the Fund. In order to avoid this conflict we waive the portion of your advisory fee associated with that investment. You can also purchase Victory Funds directly through unaffiliated brokers or agents.

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

Under certain circumstances, Victory may also enter into performance-based fee arrangements through written agreements with clients. Performance-based fee arrangements may be in lieu of the asset-based fee Victory typically charges clients. Proprietary accounts are defined as accounts in which Victory and its employees, collectively own 25% or more of the account. At times, Victory employees may provide the initial seed capital to fund new products or funds.

Investment management personnel managing asset-based fee accounts alongside performance-based fee accounts and/or proprietary accounts face a conflict of interest. Performance-based fees increase as performance increases, creating an incentive to favor these accounts in trade execution, allocations of investment opportunities, and/or take excessive risk. The same incentive could exist when employees hold a personal interest in certain products or funds. Victory attempts to address these potential conflicts through adherence to its trade aggregation and allocation policies and procedures, as addressed in *Item 12: Brokerage Practices*. We also address these conflicts by utilizing a model portfolio for these strategies which is used as the basis of portfolio construction for all separately managed

accounts in that strategy. Additionally, performance-based fee and proprietary accounts are included in the same composite as asset-based fee and non-proprietary accounts. Trade aggregation and allocation, as well as side-by-side trading, is subject to overall monitoring by compliance personnel.

ITEM 7: TYPES OF CLIENTS

Victory provides investment advisory services to the following types of clients: corporations, foundations, endowments, public funds, Taft-Hartley funds, mutual funds, other pooled investments and individuals. We also provide sub-advisory services to banks and to other investment advisers, including wrap programs. For additional details, please see *Item 4: Advisory Business*.

Victory has established minimum account sizes which vary by investment strategy and type of investment vehicle. Additionally, our institutional account clients are subject to a minimum annual fee, disclosed in the table in *Item 5: Fees and Compensation*.

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

Victory uses a disciplined process, over a longer-term investment horizon, when evaluating companies for investment. Both broad economic factors and company specific factors are reviewed to judge investment opportunities. Broad economic factors considered may include changes related to the economy's health, such as GDP, unemployment, interest rates, inflation and manufacturing activity, among others. We consider market factors, including current investor perception of the economy, asset classes, industry groups and specific companies as well as related trading activity and volume.

Each investment strategy is managed independently by the portfolio management team, with research methodology varying from team to team, dependent on the investment strategy. The research analysts evaluate individual companies for potential investment opportunity using a number of tools. These may include, meetings with company management teams, attending industry conferences and performing financial statement analysis and other due diligence. Research analysts then provide their recommendations to portfolio management teams. The portfolio management teams evaluate these investment ideas in light of the current and expected broad economic factors. These teams also consider a combination of opportunity for price appreciation, risk level and economic forecasts.

Our portfolio management teams work with our risk management team to monitor portfolio risk on a daily basis. The risk management team produces a variety of risk control reports that identify sources of risk at the overall portfolio and industry levels. The risk management team also applies hypothetical risk scenarios to simulate the impact of multiple risk events on portfolio return. This "stress testing" provides portfolio managers with an understanding of the potential for loss if adverse economic events occur. Portfolio management teams review portfolio risk versus their broad economic forecasts, and may alter portfolio composition based on changing risk levels.

Our investment strategies specialize in investing in specific asset classes. They do not represent a complete investment program. Each of Victory's strategies is intended to be one of several components of a client account's overall asset allocation. Victory does not guarantee that the objectives of its investment strategies will be achieved and investors may lose money by investing in Victory's strategies. Investing in securities involves risk of loss that clients should be prepared to bear.

The following paragraphs describe the material risks applicable to Victory's various strategies:

A. Domestic Equity

Diversified Equity

Victory's Diversified Equity strategy seeks to provide long-term growth of capital. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with large market capitalizations. The portfolio invests in both growth stocks expected to experience earnings growth and value stocks determined to be intrinsically worth more than their current price. The material risks associated with our Diversified Equity strategy are:

- The market value of the securities in the portfolio may decline.
- The portfolio manager may not execute the principal investment strategy effectively.
- Growth stocks may be more sensitive to changes in current or expected earnings than the values of other stocks, and they may fall out of favor if the companies' earnings growth does not meet expectations.
- Value stocks may fall out of favor with investors and may underperform growth stocks in an up market. The intrinsic value of value stocks may never be fully recognized by the market or their price may decline.
- Foreign securities generally experience more volatility than their domestic counterparts.

Victory Select

The Victory Select strategy seeks to provide long-term growth of capital. This strategy primarily invests in U.S. equity securities, with an emphasis on companies with large market capitalizations, and will hold approximately 20-30 stocks. The portfolio invests in both growth stocks expected to experience earnings growth and value stocks determined to be intrinsically worth more than their current price. The material risks associated with our Victory Select strategy are:

- The market value of the securities in the portfolio may decline.
- Growth stocks may be more sensitive to changes in current or expected earnings than the values of other stocks, and they may fall out of favor if the companies' earnings growth does not meet expectations.
- Value stocks may fall out of favor with investors and may underperform growth stocks in an up market. The intrinsic value of value stocks may never be fully recognized by the market or their price may decline.
- This strategy may invest a larger portion of its assets in a smaller number of issuers, which could make it more susceptible to economic or credit risks than a more diversified investment.
- The portfolio manager may not execute the principal investment strategies effectively.

- Foreign securities generally experience more volatility than their domestic counterparts.

Large Cap Growth

Our Large Cap Growth strategy seeks to provide long-term capital appreciation. This strategy primarily invests in a select group of U.S. equity securities, with an emphasis on companies with large market capitalizations and whose growth prospects appear to exceed those of the overall market. The strategy typically holds between 25-45 large-cap companies. The material risks associated with our Large Cap Growth strategy are:

- The market value of the securities in the portfolio may decline.
- Growth stocks may be more sensitive to changes in current or expected earnings than the values of other stocks, and they may fall out of favor if the companies' earnings growth does not meet expectations.
- This strategy may invest a larger portion of its assets in a smaller number of issuers, which could make it more susceptible to economic or credit risks than a more diversified investment.
- A company's earnings may not increase as expected.
- The portfolio manager may not execute the principal investment strategy effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

Mid Cap Core

Our Mid Cap Core strategy seeks to provide long-term growth of capital and dividend income. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with medium market capitalizations that are trading at prices below their true value. The material risks associated with our Mid Cap Core strategy are:

- The market value of the securities in the portfolio may decline.
- Value stocks may fall out of favor with investors and may underperform growth stocks in an up market. The intrinsic value of value stocks may never be fully recognized by the market or their price may decline.
- A company's earnings may not increase as expected.
- Mid cap stocks may fall out of favor relative to stocks of larger or smaller companies.
- Securities of mid-cap companies tend to be more volatile than larger companies and may be traded in lower volumes, making them more difficult to sell.
- The portfolio manager may not execute the principal investment strategies effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

Mid Cap Value

Our Mid Cap Value strategy seeks to provide long-term growth of capital. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with medium market capitalizations that are attractively priced relative to their fundamentals. The material risks associated with our Mid Cap Value strategy are:

- The market value of the securities in the portfolio may decline.

- Value stocks may fall out of favor with investors and may underperform growth stocks in an up market. The intrinsic value stocks may never be fully recognized by the market or their price may decline.
- A company's earnings may not increase as expected.
- Mid cap stocks may fall out of favor relative to stocks of larger or smaller companies.
- Securities of mid-cap companies tend to be more volatile than larger companies and may be traded in lower volumes, making them more difficult to sell.
- The portfolio manager may not execute the principal investment strategy effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

Small Cap Value

Our Small Cap Value strategy seeks to provide capital appreciation. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with small market capitalizations that are attractively priced relative to their fundamentals. The material risks associated with our Small Cap Value strategy are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Securities of small-cap companies tend to be more volatile than larger companies and may be traded in lower volumes, making them more difficult to sell.
- Smaller, less seasoned companies may lose market share or profits to a greater extent than larger, established companies.
- The portfolio manager may not execute the principal investment strategies effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

Dividend Growth

Our Dividend Growth strategy seeks to provide total return comprised of income from dividends and long-term capital appreciation by investing primarily in high quality growing businesses with an ability to generate strong returns and fund increasing dividends over the long term. The strategy invests in the common stock of high quality, dividend paying companies that can be purchased at a discount to the intrinsic value of the underlying business. The strategy invests primarily in large-cap companies but may also invest in mid-cap companies. The material risks associated with the Dividend Growth strategy are:

- The market value of the securities in the portfolio may decline.
- Growth stocks may be more sensitive to changes in current or expected earnings than the values of other stocks, and they may fall out of favor if the companies' earnings growth does not meet expectations.
- Value stocks may fall out of favor with investors and may underperform growth stocks in an up market. The intrinsic value of value stocks may never be fully recognized by the market or their price may decline.
- Large cap dividend paying stocks may fall out of favor relative to the overall market.
- Mid-cap stocks may fall out of favor relative to stocks of larger or smaller companies.
- The company's earnings or dividends may not increase as expected.
- An issuer's credit quality may be downgraded, an issuer may default, or the rate of inflation may increase.

- The portfolio manager may not execute the principal investment strategies effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

B. International Equity

International Large Cap Equity / International Large Cap Select Equity

The strategies seek to provide long term growth and capital appreciation. These strategies primarily invest in a diversified group of foreign equity securities in developed markets, without any size or country restraints. Investments are made in companies with a favorable combination of company fundamentals and valuation. The International Large Cap Select strategy will hold fewer companies than the International Large Cap strategy. The material risks associated with these strategies are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Mid cap stocks may fall out of favor relative to stocks of larger or smaller companies.
- Emerging companies may lose market share or profits to a greater extent than domestic or developed foreign companies as a result of increased volatility.
- Smaller, less seasoned companies may lose market share or profits to a greater extent than larger, established companies.
- The portfolio manager may not execute the principal investment strategies effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

International Small Cap Equity / International SMID Equity / International Micro Cap Equity / ACWI ex US Small Cap Equity

The strategies seek to provide a high total return, primarily through capital appreciation. These strategies primarily invest in a diversified group of smaller foreign equity securities of high-quality and exceptionally dynamic companies in developed markets, with a focus on those operating in industries offering attractive investment opportunities as a result of secular changes. The material risks associated with these strategies are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Developed foreign companies lose market share or profits to a greater extent than domestic companies as a result of increased volatility.
- This strategy may have a higher degree of concentration within one or more countries or geographic regions. Due to this geographical concentration risk, market, political, regulatory, economic or other factors impacting those regions could have a significant effect on the value of those investments.
- Securities of small-cap companies tend to be more volatile than larger companies and may be traded in lower volumes, making them more difficult to sell.
- Smaller, less seasoned companies may lose market share or profits to a greater extent than larger, established companies.
- The portfolio manager may not execute the investment strategies effectively.

Emerging Markets Small Cap Equity

Our Emerging Markets Small Cap Equity strategy seeks to provide a high total return, primarily through capital appreciation. This strategy primarily invests in a diversified group of smaller foreign equity securities of high-quality and exceptionally dynamic companies in emerging markets, with a focus on those operating in industries offering attractive investment opportunities as a result of secular changes. The material risks associated with our Emerging Markets Small Cap Equity strategy are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Foreign securities generally experience more volatility than their domestic counterparts.
- Emerging companies lose market share or profits to a greater extent than domestic or developed foreign companies as a result of increased volatility.
- This strategy may have a higher degree of concentration within one or more countries or geographic regions. Due to this geographic concentration risk, market, political, regulatory, economic or other factors impacting those regions could have a significant effect on the value of those investments.
- Smaller, less seasoned companies may lose market share or profits to a greater extent than larger, established companies.
- Securities of small-cap companies tend to be more volatile than larger companies and may be traded in lower volumes, making them more difficult to sell.
- The portfolio manager may not execute the principal investment strategies effectively.

Global Equity

Our Global Equity strategy seeks to provide long term growth and capital appreciation. This strategy primarily invests in a diversified group of U.S. and foreign equity securities, without any size or country restraints. Investments are made in companies with a favorable combination of company fundamentals and valuation. The material risks associated with our Global Equity strategy are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Smaller, less seasoned companies may lose market share or profits to a greater extent than larger, established companies.
- Mid cap stocks may fall out of favor relative to stocks of larger or smaller companies.
- Emerging companies lose market share or profits to a greater extent than domestic or developed foreign companies as a result of increased volatility.
- The portfolio manager may not execute the principal investment strategy effectively.
- Foreign companies lose market share or profits to a greater extent than domestic or developed foreign companies as a result of increased volatility.

C. Fixed Income

Short-Government / Mortgage-Backed Securities

This strategy seeks to provide a high level of current income, consistent with preservation of capital. This strategy primarily invest in securities issued by the U.S.

government and its agencies or instrumentalities, specifically mortgage-backed obligations and collateralized mortgage obligations (CMOs) issued by the Government National Mortgage Association (GNMA), with an average effective maturity ranging from 2 to 10 years and obligations issued or guaranteed by the US government or by its agencies or instrumentalities with a dollar-weighted average maturity normally less than 5 years. The material risks associated with our Short-Government / Mortgage-Backed Securities strategy are:

- The market value of the securities in the portfolio may decline.
- Interest rates may rise or the rate of inflation may increase.
- An issuer may exercise their rights to pay principal on an obligation held by an account earlier than expected.
- In certain market conditions, the portfolio may need to reinvest at lower interest rates, due to sale proceeds or amounts received as a result of prepayment of mortgage-related securities.
- The average life of a mortgage-related security may be shortened or lengthened.
- A U.S. Government agency or instrumentality may default on its obligation and the U.S. Government may not provide support.
- The portfolio manager may not execute the principal investment strategies effectively.

D. Hybrid

Investment Grade Convertible Securities

Our Investment Grade Convertible Securities strategy seeks to provide a high level of current income and long-term capital appreciation. This strategy primarily invests in securities that are convertible into common stocks, such as convertible bonds, convertible notes and convertible preferred stocks, and synthetic convertibles. The material risks associated with our Investment Grade Convertible Securities strategy are:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- Interest rates may rise or the rate of inflation may increase.
- An issuer's credit quality may be downgraded or an issuer may default. This risk is greater for any investments in below investment-grade securities.
- In part, the total return for a convertible security may depend upon the performance of the underlying stock into which it can be converted.
- Synthetic convertibles may respond differently to market fluctuations than traditional convertible securities and are also subject to counterparty risk.
- The portfolio manager may not execute the principal investment strategies effectively.
- Foreign securities generally experience more volatility than their domestic counterparts.

ITEM 9: DISCIPLINARY INFORMATION

Victory has not been subject to any legal or disciplinary events that are material to its business or integrity of its management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Certain management persons of Victory are registered representatives of Victory Capital Advisers, Inc. ("VCA"), a registered broker dealer and an affiliate of Victory. VCA acts as the distributor for The Victory Portfolios, the Victory Institutional Funds, the Victory Variable Insurance Fund, and Victory Capital Series, LLC.

Victory and its management persons are not registered or in the process of registering as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of any of these.

As stated in Item 4, Victory serves as the investment adviser to the Victory Funds and certain private offerings.

Victory has hired KPB Investment Advisors, LLC to sub-advise the Victory Ohio Municipal Bond Fund and the Victory National Municipal Bond Fund, separate investment series of the Victory Funds. We do not otherwise recommend or select other investment advisers for our clients.

We do not believe that our relationships with the Victory Funds or any private offering create any material conflicts of interest; however, we recognize the potential for such conflict. Consequently, we monitor all such potential conflicts proactively in accordance with policies and procedures designed to identify and prevent such conflicts. Activities are also reviewed by Victory's Legal, Compliance and Risk Department to monitor compliance with those policies and procedures. For details, please see *Item 12: Brokerage Practices*.

ITEM 11: CODE OF ETHICS

Victory has adopted a code of ethics ("Code") applicable to all of our employees that describes our high standard of business conduct and fiduciary duty to our clients. Our Code includes provisions relating to the prohibition of insider trading and personal securities trading procedures, among other things. All employees must acknowledge the terms of our Code, as amended, annually.

Subject to satisfying our Code and applicable laws, our employees may trade for their own accounts in securities which may be purchased for our clients. The Code is designed to assure that the personal securities transactions, activities and interest of our employees does not interfere with i) making decisions in the best interest of our clients and (ii) implementing such decisions while, at the same time allowing employees to trade for their own accounts.

Victory does not allow discretionary purchases of equity securities in personal brokerage accounts. Victory employees must pre-clear personal transactions through the Compliance team for all reportable securities. Victory receives employee transaction and holdings data directly from their broker. The Compliance team compares all confirmations received with all pre-cleared trades. In order to assure compliance with the Code and our policies and procedures, the Compliance team reviews all personal trades and conducts testing on this procedure on a quarterly basis.

Victory's gifts and entertainment policies and procedures permit employees to receive gifts of nominal value (other than cash or cash equivalents) from present or prospective customers, suppliers or vendors with whom an employee maintains an actual or potential business relationship. Employees are required to disclose to our Compliance team all gifts and entertainment in excess of \$10 per occurrence to help identify potential conflicts of interests.

Clients or prospective clients can obtain a copy of our Code by sending an email to compliance_victory@vcm.com or by visiting our website at www.vcm.com.

ITEM 12: BROKERAGE PRACTICES

Victory seeks to obtain the "best execution" for client transactions. We strive to execute each client transaction in such a manner that the client's total cost or proceeds in each transaction are the most favorable under the current circumstances. Victory will periodically compare the transaction costs charged in client accounts to industry averages in order to assure that the commission rates are competitive.

In selecting broker-dealers to execute portfolio transactions, Victory will consider the full range and quality of a broker's services including, but not limited to:

- Best available execution
- Commission rate
- Ability of commit capital
- Sound financial condition
- Knowledge of market
- Acceptable record keeping
- Good and timely delivery and payment on trades
- Ability to handle block trades
- Quality of research materials
- Access to sources of supply or market
- Commission rate

The lowest possible commission cost alone does not determine brokerage selection. We do not consider the receipt of client referrals from a broker-dealer or third party when selecting a broker-dealer.

Victory may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect certain trades such as over-the-counter trades when, in Victory's judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions.

A. Equity

Soft Dollars

Broker-dealers often provide bundled services, including research and trade execution. Our use of brokerage and research services may increase transaction costs for clients. When appropriate and consistent with our duty to obtain best execution, brokerage commissions

generated from client transactions may be used to obtain research (proprietary and third party) and/or brokerage services from broker-dealers. These services assist the portfolio managers in the investment decision making process for our clients. Thus, we may have an incentive to select a broker that provides research through the use of brokerage, rather than paying for execution only. This may create a conflict of interest through Victory's use of such benefits. Victory attempts to address this potential conflict of interest through various compliance policies and through oversight of the use of approved brokers and receipt of third party research and/or services.

Our Trading Oversight Committee oversees the use of client commissions to obtain third party research and/or brokerage services. In all such instances:

- The services must be for the primary benefit of our clients.
- The commission rates paid must be competitive with rates paid to other brokers.
- The minimum amount of commissions to any broker-dealer is not guaranteed.
- Considerations of best execution take precedence over soft dollar arrangements.
- Must satisfy the safe-harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

All clients benefit from Victory's use of soft dollars, regardless of whether or not their specific transactions pay brokers that provide research or services. We do not allocate soft dollar benefits to client accounts proportionally to the soft dollar credits the accounts generate.

In the most recent fiscal year, we obtained the following products and/or services as a result of brokerage commissions:

- Research analyst call participation
- Company-specific research reports and meetings
- Macro-economic research reports
- Technical factor research reports
- Analytical software utilized for portfolio management and trading securities
- Market data services
- Industry database services

Directed Brokerage

Victory does not recommend, request or require that you direct transactions to specific brokers. However, some clients may direct Victory to execute some or all of their securities transactions with a specified broker or dealer. If you choose to direct brokerage, you may not receive the most favorable execution under current circumstances, which could increase your transaction costs. In the absence of directed brokerage instruction, we are often able to aggregate client transactions into a larger, single transaction for clients. This may result in lower transaction costs than if the transactions had been executed individually.

Trade Aggregation and Trade Allocation

Since certain clients have similar investment objectives, Victory is often buying or selling the same security for multiple clients at the same time. In order to obtain efficiencies that may be available for large transactions, we may aggregate orders for two or more accounts if we believe joint execution is in the best interest of each participant. There are, however, circumstances specific to individual clients that may limit our ability to aggregate trades. For

example, there may be times when price sensitivity or urgency to complete a trade differs, or there may be times when there is a limited supply or demand for a particular security. In some cases, trade aggregation may adversely affect the price paid or received by an account or the size of the position obtained or liquidated for an account. Many of our portfolio managers manage client assets using more than one investment approach. The approaches differ based on several factors. These factors include, but are not limited to:

- Issuer concentration levels
- Average market capitalization ranges
- Sector or subsector concentrations
- Geographic concentrations
- Cash flows and liquidity needs
- Benchmarks
- Risk profiles
- Turnover needs

Even within the same investment approach, client accounts are customized to meet individual client needs. At times, certain accounts may place trades that are directly opposite with the investment strategies and trades of other accounts. This may occur, for example, when different portfolio management teams are rebalancing the same security, or when one account needs to raise cash while a new account is funding.

When similar trades for different types of accounts are presented to our trading desk simultaneously, our trading desk uses a trade rotation. When using a rotation, non-directed account trade aggregations are traded first. Upon completion of the first group, we apply a random rotation to the execution of trades in directed institutional accounts, wrap accounts and the communication of trades in UMA model accounts. UMA trades are executed by the sponsoring UMA manager(s) with those broker dealers which they select based on their judgment. In certain circumstances, Victory may proceed with a random rotation if Victory concludes, in its sole and reasonable discretion, that a UMA sponsor is unable to execute trades to implement the model in a reasonable time, considering relevant securities and markets.

When a combined order is executed in a series of transactions at different prices during a single trading day, each account participating in the order may be allocated an average price obtained from the executing broker. Any portion of a transaction aggregation that remains unfilled at the end of a day is re-submitted on the following day as a new transaction, and therefore will likely obtain a different average price. If an aggregated order is not filled in its entirety, shares are allocated proportionately when practical. When allocating trades, portfolio managers may use other allocation methods in place of a pro rata allocation. The relevant factors considered include, but are not limited to:

- Size of account
- Current industry or issuer weighting
- Account restrictions and guidelines
- Regulatory restrictions
- Risk tolerances
- Available cash
- Priority to accounts with specialized investment objectives and policies

- Proprietary accounts

B. Fixed Income

Short Governments / Mortgage-Backed Securities

Our mortgage-backed securities team's selection of broker-dealers for sell transactions is generally driven by which one offers the best price for the size of our trade. For purchases, the team also incorporates the quality of the bond available for purchase.

When we believe it is in the best interest of our clients, we will aggregate client transactions. Given differences between the types of accounts in this strategy and availability of certain securities, common allocations may be minimal. We may deviate from aggregating orders and allocating pro rata for any of the following reasons:

- Investment objectives and guidelines
- Size of the portfolio
- Target allocations met
- Cash availability
- Liquidity needs
- Limited supply or demand for a particular security
- Daily changes to the supply or demand for a particular security
- Account funding requirements

ITEM 13: REVIEW OF ACCOUNTS

Our portfolio managers continuously review client accounts. Client inquiries, changes in general market outlooks and changes in opinion on specific securities may prompt particular account reviews. Typically, relationship managers review accounts quarterly, but no less frequently than annually. We offer review meetings with each client at least annually to review portfolio performance and to identify any changes in the client's investment objectives, risk tolerances and liquidity needs for the upcoming year. A member of the portfolio management team, along with the client relationship manager, usually participates in the annual meeting. The review typically also includes the following:

- Summary and discussion of firm-related issues, including assets under management and personnel changes.
- Summary of significant market and economic events that impacted client account performance.
- Investment performance relative to the specific client benchmark.
- Performance attribution identifying contributors and detractors to performance.
- Characteristics of the portfolio.
- Portfolio positioning.
- Our outlook on the financial markets.

Our clients often specify the frequency of reviews within their Investment Policy Statement (IPS). Therefore, Victory reviews portfolios consistent with the directive of each client's IPS. We also review accounts on an ad hoc basis if circumstances suggest it is in the

client's best interest. These circumstances may include extraordinary market events, noteworthy strategy decisions or specific client requests.

Each client receives a periodic statement with information on their account, including activity in the account during the period, ending market value and detailed holdings. You may also request specific information such as quarterly performance and portfolio manager commentary.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Victory has not entered into any solicitation agreements with third party marketers.

ITEM 15: CUSTODY

Victory does not act as a custodian of any client accounts. All of our clients are required to select a qualified custodian to safeguard the assets of their account, settle transactions, send monetary wires and perform other miscellaneous administrative services. The client is responsible for the acts of their qualified custodian and all direct expenses of the account, such as custodial fees and brokerage expenses. The custodian will send clients, no less than quarterly, an account statement which details the transaction activity and holdings in the client's account. We also send clients periodic account statements. Clients may also receive other account statements from other service providers related to their account. Clients should compare all statements related to their account, specifically reviewing transaction details and security holdings. This comparative review is necessary to prevent inaccurate information from being recorded by any service provider related to the client account.

ITEM 16: INVESTMENT DISCRETION

Victory typically retains full discretionary authority to manage investment accounts on behalf of clients as defined within the investment management agreements. We take sole responsibility for selecting securities for investment. Clients give us this authority in their investment management agreement. We request that clients inform their account's custodian that they have granted this authority to us. Our clients agree to respond to inquiries and confirm our authority to manage the account of the discretionary relationship.

Certain clients are subject to laws that may restrict investments that we can make on their behalf, such as ERISA clients. Clients typically provide written investment guidelines and/or restrictions that are tailored to the specific strategy and mutually agreed upon with us in an investment management agreement ("IMA"). In the IMA or investment policy statement, clients may provide specific instructions for Victory not to invest in certain securities or types of securities. Clients may also impose restriction limitations on investments in certain countries, industries or sectors. Examples of common limitations include restrictions on:

- Specific companies
- Companies producing certain kinds of products (e.g. manufacturers of gun or tobacco products)

- Companies which do business in certain countries
- Maximum allowable percentage limits invested in cash, ETFs, foreign securities, derivatives, mutual funds, or private placements.

Clients may also limit our investment discretion by instructing us to invest in a particular security. We also require these instructions to be mutually agreed upon, in writing, and that you acknowledge that the investment is not recommended by Victory under its discretionary authority.

Victory manages a limited portion of its business in a non-discretionary manner, predominately through wrap programs. The investment management contract with the wrap sponsor specifically allows the sponsor to retain investment discretion. Under these types of arrangements, we provide wrap sponsors with investment recommendations from which the sponsor can choose to deviate.

ITEM 17: VOTING CLIENT SECURITIES

Victory votes client securities over which it has discretionary proxy voting authority in the best interests of the client. This entails voting client proxies with the objective of increasing the long-term economic value of client assets. Victory's Proxy Committee determines how proxies are voted by following established guidelines, which are intended to assist in voting proxies and are not considered rigid rules. The Proxy Committee is directed to apply the guidelines as appropriate and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. On occasion, however, a contrary vote may be warranted when such action is in the best interests of the account or if it is required under the documents governing the account. In such cases, we consider, among other things:

- The effect of the proposal on the underlying value of the securities
- The effect on marketability of the securities
- The effect of the proposal on future prospects of the issuer
- The composition and effectiveness of the issuer's board of directors
- The issuer's corporate governance practices
- The quality of communications from the issuer to its shareholders

Victory may also take into account independent third-party, general industry guidance or other governance board review sources when making decisions. We may additionally seek guidance from other senior internal sources with special expertise on a given topic, where it is appropriate.

Victory will agree to allow a client to retain their right to vote their securities. This preference is mutually agreed upon between the client and Victory in the investment management agreement prior to the date on which we begin managing the account.

Occasionally, conflicts of interest arise between our interests and those of a client. When this occurs, we document the nature of the conflict and vote according to our stated guidelines. However, if the conflict is not mitigated by this approach, the Proxy Committee will seek the opinion of the Chief Legal Officer or Chief Compliance Officer, or consult with an external independent adviser. In the case of a Proxy Committee member having a personal

conflict of interest (e.g. a family member on the board of the issuer), they will abstain from voting.

Reasonable efforts will be made to monitor and keep abreast of corporate actions. All proxies in which Victory has discretionary voting authority will be voted prudently, provided there is sufficient time and information available. Victory maintains a written record of its voting activity, including supporting documentation that determined the direction of the vote.

Victory has engaged ISS (Institutional Shareholder Services), a third party proxy voting service, to perform the administrative tasks of receiving proxies and proxy statements, and voting proxies in accordance with the Victory Proxy Policy. In no circumstances shall ISS have the authority to vote proxies except in accordance with standing or specific instructions given to it by Victory.

For a copy of Victory's Proxy Policy and Procedures, please visit our website at www.vcm.com or send an email to compliance_victory@vcm.com. If clients would like to obtain information on how we voted your specific proxies, you may contact your client manager, or send an email to client_service_team@vcm.com.

ITEM 18: FINANCIAL INFORMATION

Victory does not require or solicit prepayment of client fees.

We have discretionary authority over certain client assets. There are no current financial conditions that would likely impact our ability to meet our contractual obligations to manage the investment of client assets.

We have not been subject to a bankruptcy petition at any time during the past ten years.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This item is not applicable to Victory.

Victory Capital Management Inc.

Victory Capital Management Inc.
4900 Tiedeman Road, 4th Floor
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Phone: (877) 660-4400
www.vcm.com
www.victoryfunds.com

Investment Adviser Brochure Supplement Form ADV Part 2B

March 31, 2014

This Brochure Supplement provides information about Larry G. Babin, Paul D. Danes and Carolyn Rains, which supplements the Victory Capital Management Inc. (“Victory”) Investment Adviser Brochure. You should have received a copy of the Investment Adviser Brochure. Please contact Victory’s Chief Compliance Officer and Chief Risk Officer, at the number listed above, if you did not receive Victory’s Investment Adviser Brochure, or if you have any questions about the contents of this Brochure Supplement.



ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS BACKGROUND

Larry G. Babin

Mr. Babin, born in 1948, received his Bachelor of Science from the Wharton School, University of Pennsylvania and his Master of Business Administration from the University of Michigan. He is also a Chartered Financial Analyst charterholder¹. Mr. Babin joined Victory and/or an affiliate in 1982 and is currently the Co-Chief Investment Officer of the Diversified Equity strategy, Senior Portfolio Manager and Senior Managing Director with Victory.

Paul D. Danes

Mr. Danes, born in 1961, holds a Bachelor of Science from Arizona State University and a Master of Business Administration from The Ohio State University. He is also a Chartered Financial Analyst charterholder¹. Mr. Danes joined Victory and/or an affiliate in 1987 as a Portfolio Manager for several mid cap funds, individual client portfolios and equity research analyst. He is currently the Co-Chief Investment Officer and Portfolio Manager of Victory's Diversified Equity strategy.

Carolyn M. Rains

Ms. Rains, born in 1969, holds Bachelor of Science in Business Administration from Bowling Green State University and a Master of Business Administration from Cleveland State University. She is also a Chartered Financial Analyst charterholder¹. Ms. Rains joined Victory and/or an affiliate in 1998 as a Portfolio Manager on the Real Estate Equity team. She is currently a Portfolio Manager / Analyst with Victory and a member of the Diversified Equity portfolio team. Ms. Rains is a registered representative with Victory Capital Advisers, Inc. ("VCA"), a registered broker-dealer. VCA is an affiliate of Victory Capital Management Inc.

ITEM 3: DISCIPLINARY INFORMATION

The individuals listed in this supplement do not have any discipline information to report.

ITEM 4: OTHER BUSINESS ACTIVITIES

The individuals listed in this supplement do not have any other business activities.

¹ Chartered Financial Analyst (CFA) - Qualification as a CFA charterholder requires: A bachelor's degree from an accredited institution or equivalent education or work experience; successful completion of all three exam levels of the CFA program; four years of acceptable professional work experience in the investment decision-making process; fulfillment of local society requirements, which vary by society; entry into a Member's Agreement, a Professional Conduct Statement and any additional documentation requested by CFA Institute.

ITEM 5: ADDITIONAL COMPENSATION

The individuals listed in this supplement do not receive any additional compensation.

ITEM 6: SUPERVISION

David C. Brown, Chief Executive Officer of Victory, and Christopher Ohmacht, President of Victory, supervise all investment portfolio teams and research analysts. Supervision of the portfolio management team includes a periodic review of portfolio activity, including buys and sells. A monthly review of each team of supervised persons provides oversight on performance, trading and portfolio positioning. The Quantitative Risk Team reviews and evaluates portfolio risk factors, and provides a monthly report to Mr. Brown, Mr. Ohmacht, and the Chief Investment Officers regarding each equity platform. A semi-annual portfolio review of each investment team is also completed between Mr. Brown and Mr. Ohmacht, and the Chief Investment Officers. This review includes performance versus expectations given prior period positioning, factors driving performance, current economic/market outlook of the investment team, detailed risk analysis of the portfolio, human capital assessment of the current team and analysis of current clients and competitive positioning. Each supervised person is subject to Victory's Code of Ethics, policies and procedures, compliance oversight of which is undertaken by the Chief Compliance Officer and Chief Risk Officer and his staff, and by senior management. David Brown and/or Christopher Ohmacht can be reached at (877) 660-4400.

ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not Applicable

Victory Capital Management Inc.

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Investment Adviser Brochure Supplement Form ADV Part 2B

March 31, 2014

This Brochure Supplement provides information about Richard A. Janus, James K. Kaesberg, Amy E. Bush and Mark Vucenovic, which supplements the Victory Capital Management Inc. (“Victory”) Investment Adviser Brochure. You should have received a copy of the Investment Adviser Brochure. Please contact the Chief Compliance Officer and Chief Risk Officer, at the number listed above, if you did not receive Victory’s Investment Adviser Brochure, or if you have any questions about the contents of this Brochure Supplement.



ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS BACKGROUND

Richard A. Janus

Mr. Janus, born in 1947, received his Bachelor of Science in Economics from the David N. Myer College and his Master of Economics from Cleveland State University. He is also a Chartered Financial Analyst charterholder¹. Mr. Janus joined Victory and/or an affiliate in 1977 and is currently the Chief Investment Officer and Lead Portfolio Manager of Victory's Investment Grade Convertible Securities strategy.

James K. Kaesberg

Mr. Kaesberg, born in 1960, received his Bachelor of Business Administration and his Master of Business Administration from the University of Wisconsin. He is also a Chartered Financial Analyst charterholder¹. Mr. Kaesberg joined Victory and/or an affiliate in 1985 as an Equity Analyst and is now a Senior Portfolio Manager with Victory. He is a member of the Investment Grade Convertible Securities portfolio team.

Amy E. Bush

Ms. Bush, born in 1969, received her Bachelor of Arts from Miami University and her Master of Business Administration from Case Western Reserve University. She is also a Chartered Financial Analyst charterholder¹. Ms. Bush joined Victory and/or an affiliate in 1992 as a Convertible securities Research Analyst for Victory and a Credit Analyst for former KeyBank entity, Society Bank. She is now a Portfolio Manager with Victory. She is a member of the Investment Grade Convertible Securities portfolio team.

Mark Vucenovic

Mr. Vucenovic, born in 1970, received his Bachelor of Business Administration from Ohio University and his Master of Business Administration from Cleveland State University. Mr. Vucenovic joined Victory in 2009 as a Credit Analyst in the fixed income area and is now a Portfolio Manager / Research Analyst with Victory. Prior to joining Victory, he held analyst positions with FTN Equity Capital Markets and Midwest Securities, and was a relationship manager and credit analyst with KeyCorp. He is a member of the Investment Grade Convertible Securities portfolio team. Mr. Vucenovic is a registered representative with Victory Capital Advisers, Inc. ("VCA"), a registered broker-dealer. VCA is an affiliate of Victory Capital Management Inc.

ITEM 3: DISCIPLINARY INFORMATION

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ITEM 4: OTHER BUSINESS ACTIVITES

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Not Applicable

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Investment Adviser Brochure Supplement Form ADV Part 2B

March 31, 2014

This Brochure Supplement provides information about Erik F. Maronak, Jason E. Dahl, Scott R. Kefer and Michael B. Koskuba which supplements the Victory Capital Management Inc. (“Victory”) Investment Adviser Brochure. You should have received a copy of the Investment Adviser Brochure. Please contact the Chief Compliance Officer and Chief Risk Officer, at the number listed above, if you did not receive Victory’s Investment Adviser Brochure, or if you have any questions about the contents of this Brochure Supplement.



ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS BACKGROUND

Erick F. Maronak

Mr. Maronak, was born in 1966, received his Bachelor of Science in Economics City University in New York and his Master of Business Administration from St. John's University. Mr. Maronak joined Victory and/or an affiliate in 1999 and is currently the Chief Investment Officer and Lead Portfolio Manager of Victory's Large Cap Growth Equity strategy.

Jason E. Dahl

Mr. Dahl, was born in 1967, received his Bachelor of Science in Economics from SUNY College at New Platz and his Master of Business Administration from Pace University. He is also a Chartered Financial Analyst charterholder¹. Mr. Dahl joined Victory and/or an affiliate in 1999 and is currently a Senior Portfolio Manager / Analyst with Victory. He is a member of the Large Cap Growth Equity team. Mr. Dahl is a registered representative with Victory Capital Advisers, Inc. ("VCA"), a registered broker-dealer. VCA is an affiliate of Victory Capital Management Inc.

Scott R. Kefer

Mr. Kefer, was born in 1971, received his Bachelor of Science in Business Management from Skidmore College. He is also a Chartered Financial Analyst charterholder¹. Mr. Kefer joined Victory and/or an affiliate in 1999 and is currently a Senior Portfolio Manager / Analyst with Victory. He is a member of the Large Cap Growth Equity team.

Michael B. Koskuba

Mr. Koskuba, was born in 1971, received his Bachelor of Arts in International Studies from Muhlenberg College and his Master of Business Administration in Finance from Fordham University. Mr. Koskuba joined Victory and/or an affiliate in 1999 and is currently a Senior Portfolio Manager / Analyst with Victory. He is a member of the Large Cap Growth Equity team. Mr. Koskuba is a registered representative with Victory Capital Advisers, Inc. ("VCA"), a registered broker-dealer. VCA is an affiliate of Victory Capital Management Inc.

ITEM 3: DISCIPLINARY INFORMATION

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ITEM 4: OTHER BUSINESS ACTIVITIES

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ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not Applicable