

SUPPLEMENTAL INFORMATION

The information contained herein is provided to clients and prospective clients in accordance with Form ADV, Part II, Uniform Application for Investment Advisor Registration (SEC File number 804-51559).

SCM ADVISORS LLC

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ADVISORY SERVICES AND FEES

- > **One hundred percent of SCM Advisors LLC ("SCM")'s business involves managing investment advisory accounts not involving investment supervisory services.**

SCM Advisors LLC engages in a general investment advisory business serving primarily institutions, such as foundations, endowments and corporations and institutional investors, such as public funds, ERISA plans and high-net-worth individuals. SCM also provides portfolio investment management services as a sub-advisor to registered investment companies ("Affiliated Funds") and also serves as the collateral manager for certain non-registered structured products (i.e. collateralized debt obligations ("CDO" and collateralized loan obligations "CLO"). The Affiliated Funds may be offered by SCM, from time to time, to certain of its current clients for investment (for example, an where SCM believes that the Affiliated Fund provides a more efficient and cost-effective way to diversify an account into fixed-income investments). SCM's management of client portfolios is generally on a fully discretionary basis. The firm actively manages those portfolios with an overall goal of maximizing total returns subject to each client's risk profile and investment guidelines.

SCM offers a variety of equity, balanced and fixed income investment strategies, utilizing securities that include, but are not limited to, common stock, preferred stock, corporate bonds (both higher and lower rated), municipal bonds (both insured and uninsured) and certain cash equivalents (e.g. money market funds) (please refer to the information in the "Types of Investments" section below). In limited circumstances, where clients are deemed able and are willing to accept greater risk in pursuit of potential higher total return, SCM also uses some leveraging and hedging techniques, including buying securities on margin, and selling securities short. The current investment strategies offered by SCM are as follows: **Equity strategies:** 1) Growth with Controlled Risk (large capitalization equities); 2) Tax Sensitive Growth with Controlled Risk (large capitalization equities); 3) Small Cap Growth; 4) Micro Cap Growth; and 5) All Cap Growth. **Balanced strategies:** 1) Balanced (contains both equities and fixed income). **Fixed income strategies:** 1) High Quality High Yield; 2) All-Weather Bond Strategy; 3) Enhanced Core; 4) Core; 5) Investment Grade; 6) Cash Management; and 7) Municipal Bonds. SCM invests and manages clients' portfolios in accordance with the firm's investment strategy selected by a client, which is based on a model type portfolio of securities that SCM believes best represents the selected strategy, and also in accordance with, the clients' overall investment objectives and any restrictions. SCM does not consider the above services "financial planning" or any similar term. As of December 31, 2009 the total assets under these relationships amounted to \$3.1 billion.

DEFINITION OF TERMS USED IN THIS DOCUMENT

Related person: Any officer, manager or member of SCM Advisors LLC or any person directly or indirectly controlling, or controlled by SCM Advisors LLC, including any non-clerical, non-ministerial employee.

Investment supervisory services: Giving continuous investment advice to a client or making investments for the client based on the individual needs of that client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations.

Financial information included herein relates to SCM Advisors LLC's prior fiscal year. The information contained herein has not been approved or verified by any governmental authority.

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FEE STRUCTURE

> Investment advisory services are primarily provided for a percentage of assets under management.

SCM generally charges a fixed-percentage fee per annum for investment advice based on assets under management, but in some cases, SCM may charge performance fees to its Affiliated Funds, as more fully described below. Terminated accounts will be charged advisory fees and additional expenses incurred by SCM in the transfer or final disposition of an advisory account. Our basic fee schedules are as follows:

Fees are generally payable quarterly in advance. Agreements may be terminated by giving written notice (in most cases, 30 days) to SCM, and clients will receive a pro-rata refund of any unearned prepaid fees upon such termination.

Private-Client Separately Managed Accounts

EQUITIES

Large Cap

Growth with Controlled Risk, Tax Sensitive Growth with Controlled Risk

Minimum account size: \$1 million

First \$5mm	1.00%
Next \$15mm	0.80%
Amounts over \$20mm	0.50%

Small Cap, All Cap

Small Cap Growth, All Cap Growth

Minimum account size: \$1 million

First \$15mm	1.00%
Next \$35mm	0.80%
Amounts over \$50mm	0.70%

Micro Cap

Micro Cap Growth

Minimum account size: \$500,000

First \$10mm	1.50%
Next \$30mm	0.80%
Amounts over \$40mm	0.70%

BALANCED

Balanced Accounts

Minimum account size: \$2 million

Fees for Balanced Accounts will depend on specific products and asset allocation.

FIXED INCOME

Investment Grade, Core, Enhanced Core, Intermediate

Minimum account size: \$5 million

First \$50mm	0.50%
Amounts over \$50mm	0.35%

High Quality High Yield, All-Weather Bond Strategy

Minimum account size: \$4 million

First \$30mm	0.75%
Next \$70mm	0.50%

Municipals

Minimum account size: \$1 million

First \$5mm	0.35%
Amounts over \$5mm	0.30%

Cash Management

Minimum account size: \$5 million

First \$50mm	0.20%
Amounts over \$50mm	0.10%

Institutional Separately Managed Accounts

EQUITIES

Large Cap

Growth with Controlled Risk, Tax Sensitive Growth with Controlled Risk

Minimum account size: \$5 million

First \$25mm	0.75%
Next \$25mm	0.50%
Amounts over \$50mm	0.40%

Small Cap, All Cap

Small Cap Growth, All Cap Growth

Minimum account size: \$1 million

First \$15mm	1.00%
Next \$35mm	0.80%
Amounts over \$50mm	0.70%

Micro Cap

Micro Cap Growth

Minimum account size: \$500,000

First \$10mm	1.50%
Next \$30mm	0.80%
Amounts over \$40mm	0.70%

FIXED INCOME

Investment Grade, Core, Enhanced Core, Intermediate

Minimum account size: \$10 million

Below \$50mm	0.45%
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\$50 to \$100mm	0.35% on all assets < \$100mm
Next \$50mm	0.30%
Amounts over \$150mm	0.25%

High Quality High Yield, All-Weather Bond Strategy

Minimum account size: \$7 million

First \$30mm	0.75%
Amounts over \$30mm	0.50%

Cash Management

Minimum account size: \$10 million

First \$50mm	0.15%
Amounts over \$50mm	0.10%

Collateral Manager to Structured Products

Minimum account size: \$250 million

Outstanding principal	0.08% to 0.45%
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As mentioned above, in certain instances SCM may purchase or sell for separately managed clients' accounts shares of one of the Affiliated Funds for which it serves as sub-advisor. When this occurs, separately managed client account assets invested in an Affiliated Fund are not subject to the advisory fee otherwise applicable to the account; rather, those assets are subject only to the Affiliated Fund fees and charges applicable to all shareholders of the fund, as set forth in the fund's current prospectus. Depending on which Affiliated Fund the account is invested in, the Affiliated Fund fees—a portion of which are paid to SCM—may be more or less than the separate account advisory fee otherwise applicable to the account.

The foregoing describes SCM's basic fee schedule for separately managed client accounts; however, fees may be negotiable where special circumstances prevail, and arrangements with any particular client may vary from the foregoing. In some cases, fees charged by SCM may be greater than fees charged by other investment advisors for similar services; in other cases our fees may be lower.

SCM also receives fees for managing one or more series of the following registered investment companies:

Virtus Opportunities Trust

Virtus Equity Trust

Virtus Insight Trust

Dunham Corporate/Government Bond Fund (Class A, Class C and Class N)

For the various Virtus Funds, SCM is paid monthly in arrears on annual fees ranging from 0.03% to 0.35%, depending on the type of mutual fund.

For the Dunham Corporate/Government Bond Fund, SCM receives an annual base fee of 0.35% of assets under management and a performance based fee (fulcrum fee). The fulcrum fee is derived from a comparison of the net return of the fund's Class N shares to a comparative index and will vary by up to +/-15 basis points (0.15%) and is added to or subtracted from the base fee to arrive at the fulcrum fee. In addition, the fulcrum fee will increase/decrease by 1 basis point (0.01%) for each 10 basis points (0.10%) of outperformance/underperformance of the comparative index and the highest possible fee is 0.50%, lowest is 0.20% (0.35% base fee plus or minus 0.15% performance fee) should SCM outperform the index by 1.50%. The fulcrum fee accrues daily and is paid monthly, based on the Fund's average daily net assets and the performance against the index over the prior rolling 12-month period.

SCM also receives annual collateral management fees from two CDO and two CLO structured products ranging from 0.08% to 0.20%. The fees for the CLO structured products are based on par value of the assets and the fees for the CDO structured products are based on market value for any defaulted securities and par value for the rest of the assets. The fees for these structured products are paid yearly, with the exception of one CLO, which is paid on a quarterly basis.

TYPES OF CLIENTS

> **SCM offers investment advice to individuals; banks and thrift institutions; investment companies; pension and profit-sharing plans; trusts, estates and charitable organizations; corporations; structured products and other private funds, and other business entities.**

TYPES OF INVESTMENTS

- > **SCM may offer investment advice on the following types of investments:**
- Equity securities (including exchange-listed securities, over-the-counter securities and foreign issues)
 - Warrants
 - Corporate debt securities
 - Commercial paper
 - Certificates of deposit
 - Municipal securities
 - Mutual funds
 - Option contracts on securities and commodities
 - U.S. government securities
 - Interests in limited liability companies
 - Credit default swaps
 - Structured Products (CDO, CLO and CMO)

METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGIES

- > **SCM's security analysis methods include charting, fundamental and technical analysis, and cyclical analysis.**
- > **Sources of information used by SCM include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, and filings with the Securities and Exchange Commission; and company press releases.**
- > **Investment strategies generally employed include long- and short-term purchases, but may also include trading (securities sold within 30 days); short sales; option writing (including covered options, uncovered options and spreading strategies) and certain other derivatives (for example, credit default swaps may be used in an effort to help manage the credit risk (i.e., the risk of default) in an account, which arises from holding debt). In addition, investments in CDO and CLO have been used in the past to provide certain qualified clients' accounts that have less need for liquidity with front-ended, periodic somewhat predictable payments with a capped upside.**

SCM may enter into derivative transactions for its clients so long as the use thereof is consistent with established client investment guidelines and the firm's investment strategy selected by the client. A derivative is a financial arrangement between two parties whose payments or values are based on—or "derived" from—the performance of some agreed-upon benchmark. Common benchmarks include securities, indices, commodities, interest rates, currency exchange rates, securities spreads and other assets or economic benchmarks with varying degrees and types of associated risks.

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Derivative transactions that SCM may enter into include, but are not limited to, interest rate, currency and equity swaps; credit default swaps; interest rate caps, collars and floors; equity and currency options; futures and options on futures; forward foreign currency exchange contracts; capped, inverse, dual index and range floaters; structured notes; conventional mortgage pass throughs; and collateralized mortgage obligations ("CMOs"), including planned amortization class CMOs, targeted amortization class CMOs, sequential pay CMOs, CMO floaters, inverse floating rate CMOs, interest-only CMOs, principal-only CMOs and residual CMO tranches. SCM no longer invests clients' assets in CDO or CLO structured products. However, SCM does have clients that currently have CDO or CLO structured products in their account.

Derivatives generally fall into two sub-categories: exchange-traded and over-the-counter ("OTC"). Exchange-traded derivatives, such as futures contracts, are traded on an exchange regulated by the Commodity Futures Trading Commission, are guaranteed by a clearing corporation and have standardized terms. OTC derivatives, such as swap agreements, are privately negotiated transactions, the terms of which are tailored to the specific needs of the parties.

Derivatives can be used for a variety of reasons. For example, if a portfolio consists of foreign investments that are denominated in the currency of the country of the issuer, we may want to reduce the risk of fluctuations in the value of such currencies. Or, we may want to modify the risk/return profile of a portfolio without incurring huge transaction cost and without disturbing the portfolio. Derivatives can be used to achieve these and other goals.

There are significant risks associated with derivatives that can result in the loss of principal, or, in certain cases, the loss of more than the initial investment. The primary risks associated with derivatives are (i) market risk (the risk that the market value of the investment will decline), (ii) credit risk (the risk that the counterparty to the transaction will default on its obligations), (iii) liquidity risk (the risk that the instrument will not be readily marketable) and (iv) valuation risk (the risk that because the instrument is thinly traded, it may have only one pricing source).

In no event will SCM invest in any derivative instrument unless such investment is consistent with established client investment guidelines.

EDUCATION AND BUSINESS STANDARDS

For the demanding position of a portfolio manager or analyst, SCM generally looks to the individual's record of solid academic achievement in college as being indicative of the intellectual requirements needed by SCM. SCM considers an individual's other experience as being valuable in indicating an ability to develop the perspective necessary to evaluate investments and to develop the ability to communicate ideas effectively to colleagues and clients.

Biographies for SCM's key employees can be found in a separate document entitled Professional Biographies.

OTHER BUSINESS ACTIVITIES

- > **SCM is not actively engaged in any business other than giving investment advice.**

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- > **SCM has arrangements that are material to its advisory business and its clients with a related person who is a broker-dealer, investment company, other investment advisor, insurance company or agency, or an entity that creates or packages limited liability companies.**

Registrant operates its investment management through multiple affiliates, some of which are registered as investment advisers with the SEC under the Advisers Act. In a variety of instances, Registrant may utilize the personnel and/or services of one or more of its affiliates in the performance of Registrant's business including, without limitation, investment advice, portfolio execution and trading, back office processing, accounting, reporting and client servicing. Such utilization may take a variety of forms including dual employee or delegation arrangements, formal sub-advisory or servicing agreements, or other formal and informal arrangements among Registrant and its affiliates. In these circumstances, the registered affiliate, with which the client has its investment management agreement, remains responsible for the account within the framework of the Advisers Act and/or other applicable regulatory frameworks and the relevant investment management agreement, and no additional fees are charged to the client for the affiliates' services except as set forth in the investment management agreement.

RELATED ENTITIES

SCM is wholly owned by Virtus Partners, Inc. ("VP").

BROKER-DEALER

- > **SCM is not registered as a securities broker-dealer, a futures commission merchant, a commodity pool operator, or a commodity trading advisor.**

VP owns the following broker/dealers:

VP Distributors, Inc., a registered broker-dealer that serves as the underwriter and distributor of certain registered investment companies in the Virtus family of funds, of which certain funds are subadvised by SCM.

INVESTMENT COMPANIES

SCM is associated with investment companies offered by the Virtus family of funds, which are advised/subadvised by both affiliated and non-affiliated investment advisors.

INVESTMENT ADVISORS

VP directly owns the following investment advisors:

1. SCM Advisors LLC, Registrant
2. Duff & Phelps Investment Management Co.
3. Zweig Advisers LLC

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4. Kayne Anderson Rudnick Investment Management, LLC

VP indirectly owns the following investment advisors:

1. Engemann Asset Management
2. Euclid Advisors LLC
3. Virtus Investment Advisers, Inc.
4. Newfleet Asset Management, Inc.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

- > **SCM, or a related person, as broker or agent, effects securities transactions for compensation from clients, recommends to clients that they buy or sell securities or investment products in which we, or a related person, have some financial interest, and buys or sells for itself securities that we also recommend to clients.**

As a general rule, SCM does not advise clients to purchase securities of issuers in which SCM or its associated persons have an interest, or sell securities to or purchase securities from clients. Certain advisory clients of SCM are invested in certain structured products for which SCM serves as collateral manager and receive fees. SCM and its associates attempt to avoid conflicts of interest that may arise as a result of the management of clients' portfolios. SCM, as a policy, does not own any securities. From time to time, however, SCM may recommend or cause a client to invest in a security in which SCM or a person associated with SCM has an ownership position, or SCM or a person associated with SCM may purchase a security of the same class as securities held in a client account or recommended by SCM. SCM has adopted certain procedures intended to prevent associated persons and certain relatives from benefiting from any price movements that may be caused by client transactions or SCM's recommendations regarding such securities. Under those procedures, without specific approval, advisory persons are not allowed to purchase securities for their own account or an account in which they have a beneficial interest within seven days before a client account in whose management SCM is involved purchases. Thus, if one of such advisory persons purchases a stock in an account in which he or she has a beneficial interest, he or she cannot cause any client accounts to purchase stock of the same class within seven days.

CONDITIONS FOR MANAGING ACCOUNTS

- > **SCM manages investment advisory accounts and imposes a minimum dollar value of assets or other conditions for starting or maintaining an account.**

SCM Advisors LLC manages investment advisory accounts for registered investment companies. Also, SCM provides investment management services to institutional and individual managed accounts.

REVIEW OF ACCOUNTS

A Senior Portfolio Advisor, with extensive experience, is assigned to each account and is responsible for monitoring and maintaining compliance with client-specific guidelines. Formal reviews are performed at least annually and include client portfolio structure, strategies, adherence to client investment policy and guidelines, and benchmarks. Two Portfolio

Advisors are also each instructed to perform more frequent informal reviews for 20-140 accounts that occur on an ongoing basis include market conditions, portfolio holdings and transactions, cash flows and account performance.

Account and performance reviews are offered to clients on a quarterly basis. More-frequent reports may be provided upon request.

INVESTMENT OR BROKERAGE DISCRETION

- > **SCM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, amount of securities to be bought or sold, broker or dealer to be used, and commission rates paid. In addition, SCM may suggest brokers to its clients.**

INVESTMENT DISCRETION

Generally, SCM's clients grant it full discretionary authority over securities purchases and sales, subject to investment objectives and guidelines that are generally established by agreement between SCM and the client at the time the account is established. Selecting a broker or dealer while seeking best execution for its clients, SCM will consider the full range and quality of a broker's or dealer's services, including, among other things, the value of research provided, execution capability, commission rate, financial responsibility, market making capabilities, efficiency, confidentiality, responsiveness and other factors it deems appropriate. Except as otherwise noted herein, SCM may select brokers or dealers that provide research or other transaction-related services and may cause a client to pay such broker-dealer commissions for effecting transaction in excess of commissions other broker-dealers may have charged.

For registered investment companies sub-advised by SCM, the respective Board of Directors, Managers or Trustees of such companies establish guidelines and restrictions which SCM complies with respect to investment strategies that include the type of securities to be bought and sold. Such guidelines can be found in each fund's prospectus.

BROKERAGE PRACTICES

Generally, in the absence of specific written instructions from a client, SCM will have complete discretion with respect to the accounts of non-investment company clients without any limitations on its authority. However, whether an account is accepted or the management of an account is continued may depend upon the nature and extent of the instructions given by a client.

SCM generally determines the broker through whom securities transactions are to be affected. In selecting brokers for a portfolio transaction, SCM considers, in addition to the factors listed in the first sentence of this section and without limitation, the overall direct net economic results to a fund or account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to SCM, and the financial strength and stability of the broker.

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It is SCM's policy to seek the best execution available in light of the overall quality of brokerage and research services provided to it or its clients. Best execution is not limited to obtaining the lowest commissions but involves seeking the most-favorable terms for a transaction reasonably under the circumstances.

TRADE AGGREGATION

SCM seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where SCM deems this to be appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account will participate at the average share prices for the bunched order on the same business day, and the transaction costs shall be shared pro-rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro-rata basis to each account participating in the bunched order based upon the initial amount requested for the account, subject to certain exceptions, such as de minimis orders, and each participating account will participate at the average share prices for the bunched order on the same business day.

From time to time, SCM may utilize the trading facilities of affiliated registered investment advisors, and affiliated registered investment advisors may use SCM's trading facilities.

CROSS-TRANSACTIONS

BETWEEN REGISTERED INVESTMENT COMPANIES ADVISED BY SCM

To reduce transaction costs and promote trading efficiency, SCM may engage in inter-account transactions consistent with procedures adopted pursuant to Rule 17a-7 under the Investment Company Act of 1940. Where appropriate, SCM may engage in inter-account or cross-transactions with eligible advisory accounts and will comply with the applicable disclosure and consent requirements associated with such transactions under the Investment Advisors Act of 1940.

DIRECTED BROKERAGE

GENERAL

SCM will accept direction from clients regarding the brokers to be used for such client's account. Clients may have existing arrangements permitting them to offset certain administration, accounting, custody, consultant or other fees in relation to the amount of brokerage transactions handled by a specific broker. At the same time, SCM and/or related entities may have arrangements to receive investment related research products or services provided by the same intermediary, which are separate from the arrangement negotiated by the client. Nevertheless, in following the client's direction to use a particular broker to execute either all or part of the brokerage transactions from their accounts, clients must be aware that, in so doing, they may adversely

affect our ability to, among other things, obtain, investment related research, volume discounts on bunched orders and/or seek to achieve best execution.

TRADE AGGREGATION AND STEP OUTS

When effecting bunched orders while seeking best execution, we attempt to include transactions of clients who have directed the use of a particular broker in the bunched order. In such transactions the executing broker must agree to transfer that portion of a bunched order relating to a client who has directed the use of a particular broker to the broker specified by the client. If the executing broker does not agree to make this transfer, the order for the same security on behalf of a client who has directed the use of a particular broker will be effected through the specified broker, and the cost of the transaction may be greater.

SOFT DOLLAR ARRANGEMENTS

Each year, SCM considers the amount and nature of research and research services provided by brokers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. The actual allocation of brokerage business may vary from year to year, depending on SCM's evaluations of all applicable considerations. In no case will SCM make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)"), SCM may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by or through the broker. SCM believes it is important to its investment decision making process to have access to independent research.

Research furnished by brokers may be used to service any or all of SCM's clients and may be used in connection with accounts other than those making the payment to the broker providing the research, as permitted by Section 28(e). Commissions generated by mutual fund clients may result in services that are of benefit only to non-mutual fund clients. Conversely, commissions generated by non-mutual fund clients may result in services that are of benefit only to mutual fund clients. In addition, there may be times when commissions generated by clients with an equity strategy may result in services that are of benefit only to clients with a fixed income strategy and vice versa.

Brokerage and research services provided by brokers may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement, and custody), and providing information regarding: the economy; industries; sectors of securities; individual companies; statistical information; taxation; political developments; legal developments; technical market action; pricing and appraisal services; credit analysis; risk measurement analysis and performance analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with

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corporate and industry spokespersons, economists and government representatives. In some cases, research services are generated by third parties but are provided to SCM by or through brokers. Such brokers may pay for all or a portion of computer hardware and software costs relating to the pricing of securities.

SCM uses a variety of securities quotation hardware and software for day-to-day portfolio management of some or all of its accounts and also for end of month pricing for its portfolio accounting needs. Most of the services include additional statistics, analytical tools and news used solely for portfolio management purposes. In addition, SCM employs a proxy tracking and voting service to assist in its proxy voting and reporting responsibilities on behalf of clients.

Where SCM itself receives both non-research (administrative or accounting) and research benefits from the services provided by brokers, SCM makes a good faith allocation between the non-research and research portion of the services received, and will pay directly for the non-research portion and not use soft dollars. In making good faith allocations between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of SCM's allocation of the costs of such services and benefits between those that primarily benefit SCM and those that primarily benefit SCM's clients.

SCM currently has a soft dollar credit arrangement in place with Instinet

TRADE ALLOCATION FOR DEAL SECURITIES

Where consistent with a client's investment objectives, investment restrictions and risk tolerance, SCM may purchase securities sold in underwritten public offerings for client accounts, commonly referred to as "deal" securities.

SCM performs investment advisory services for various clients and may give advice, and take action, with respect to any of those which may differ from the advice given, or the timing or nature of action taken, with respect to any one account, provided that over a period of time SCM, to the extent practical, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly situated client accounts.

Many of SCM's public fund clients and religious institutions have restrictions as to which securities may be purchased. For instance, no investments shall be made in securities of corporations whose operations are not consistent with moral teachings or whose behavior raises serious questions concerning social justice, weapons production, abortion, or other ethical and moral issues. Several clients have also placed restrictions on the percentage of assets under management that may be held in the securities of any one company.

ADDITIONAL COMPENSATION

- **SCM, or a related person, may be paid cash by and may receive economic benefit from a non-client in connection with giving advice to clients.**
- **SCM does have arrangements in which we compensate others for client referrals.**

REFERRAL AND SOLICITATION ARRANGEMENTS

SCM does not enter into agreements with or make commitments to broker-dealers under which SCM is obligated to compensate broker-dealers for client referrals. However, for clients other than those covered by ERISA, when SCM believes that a broker-dealer who has referred clients to SCM is capable of providing the best-price services and overall execution as to a particular portfolio transaction, considering all the factors described herein, SCM may select that broker-dealer in recognition of the broker-dealer's referrals or possible future referrals. In doing so, except where specifically disclosed to client, SCM will not pay higher commissions than would otherwise be payable to another broker-dealer. Clients should be aware that a potential conflict exists between the client's interests in obtaining best price and execution and SCM's interest in receiving future referrals from such broker-dealers. SCM's referral agreement is in compliance with the federal regulations as set out in 17 CFR Section 275.206 (4)-3, and the solicitation/referral fee is paid pursuant to a written agreement retained by both the investment advisor and the solicitor and provided to the client prior to or at the time of entering into any investment advisory contract.

Certain designated persons will act as advisory representatives of SCM. These persons may be institutional account representatives of certain affiliates of the firm such as VP Distributors, Inc. and may offer advice or opinions as to the value of SCM's services or the appropriateness of such services for a potential client. Compensation will be provided to these persons by way of salaries and bonuses through the SCM affiliate of which the designated person is employed.

From time to time, SCM or its affiliates may purchase services from consultants who have referred or placed clients with our affiliates or us. The consultants may provide a variety of services, including research, brokerage and referral services. These services may be paid for with soft dollars.

SCM may also permit certain designated persons (referred to as "Solicitors") to refer potential business to SCM. Any solicitor will be required to enter into a written agreement with SCM that contains an undertaking that the Solicitor will deliver a disclosure document relating to SCM and a separate disclosure document relating to the Solicitor's arrangement with SCM. Payments to Solicitors may range, depending on the type of investment vehicle, from 5% to 40% of the first-year investment management fee received by SCM. Subsequent years' fees will be subject to negotiation on a case-by-case basis. SCM currently has one such solicitor agreement in place.

The investment management services of SCM are also offered by VIP under its multi-advisor asset management platform. The distribution of insurance and/or investment products and services in conjunction with this platform is dependent on interrelationships among SCM, its affiliates, and other entities in support of these activities. There exist certain potential or actual conflicts of interest within these interrelationships, which may or may not be readily apparent to an investor. In particular, SCM's parent and affiliated subsidiaries may enter into marketing or sponsorship arrangements with third parties, sub advisors and brokerage firms to promote the distribution of proprietary investment products including, but not limited to, variable products, mutual funds, managed accounts or the general enhancement of the "Virtus" marketing image. Such parties, sub advisors, and brokerage firms may concurrently have advisory, distribution, or other relationships

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with SCM. These arrangements may or may not necessarily result in additional assets under management to SCM or inure to the direct or indirect benefit of clients of the firm.

ASSETS UNDER MANAGEMENT

As of December 31, 2009, SCM Advisors LLC had \$3.1 billion under management.

PRIVACY OF PERSONAL FINANCIAL INFORMATION

SCM Advisors LLC recognizes that protecting the privacy and security of the confidential personal information we collect about you is an important responsibility. The following information will help you understand our privacy policy and how we will handle and maintain confidential personal information as we fulfill our obligations to protect your privacy. "Personal information" refers to the nonpublic financial and personal information obtained by us in connection with providing you a financial product or service.

THE CATEGORIES OF PERSONS TO WHOM PERSONAL INFORMATION MAY BE DISCLOSED

We will not disclose personal information about current or former customers to non-affiliated third parties except as permitted or required by law. We do not sell any personal information about you to any third party. In the normal course of business, personal information may be shared with persons or entities involved in servicing and administering products and services on our behalf, including your broker, financial advisor or financial planner, and other service providers and affiliates assisting us.

THE CATEGORIES OF PERSONAL INFORMATION THAT THE FIRM COLLECTS

We collect personal information to help us serve your financial needs, offer new products or services, provide customer service, and fulfill legal and regulatory requirements. The type of information that we collect varies according to the products or services involved, and may include:

- Information we receive from you on applications and related forms (such as name, address, social security number, assets and income); and,
- Information about your transactions and relationships with our affiliates, others or us (such as products or services purchased, account balances and payment history).

POLICY FOR PROTECTING THE CONFIDENTIALITY AND SECURITY OF PERSONAL INFORMATION

We have procedures in place that limit access to personal information to those employees and service providers who need to know such information in order to perform business services on our behalf. We educate our employees on the importance of protecting the privacy and security of confidential personal information. We also maintain physical, electronic and procedural safeguards that comply with federal and state regulations to guard your personal information.

POLICY AND PRACTICES WITH RESPECT TO DISCLOSING PERSONAL INFORMATION RELATING TO FORMER CUSTOMERS

If you decide to close your account(s) with us, or become an inactive customer, we will adhere to the privacy policies and practices described in this policy.

We will update our policy and procedures where necessary to ensure that your privacy is maintained and that we conduct our business in a way to fulfill our commitment to you. If we make any material changes in our privacy policy, we will make that information available to customers through our Web site at www.scmadv.com and/or other communications. If you should have any questions or concerns regarding our policy, please contact the firm's Chief Compliance Officer at (415) 486-6726 or compliance@scmadv.com.

PROXY VOTING POLICIES AND PROCEDURES

Where SCM is responsible to vote proxies for a client, it has adopted policies and procedures in an effort to ensure that votes are cast in the best interests of its clients and that proper documentation is maintained relating to how proxies were voted. SCM's basic policies and procedures are as follows:

SCM has adopted pre-determined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. Under the Guidelines, SCM may delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations on behalf of SCM. Additionally, SCM may vote a proxy contrary to the Guidelines if we determine that such action in the best interest of our clients.

Conflicts of Interests relating to proxy proposals will be handled in various ways depending on the type and materiality. Generally, where the Guidelines outline SCM's voting position, as either "for" or "against" such proxy proposal, voting will be in accordance with SCM's Guidelines. Where the Guidelines outline SCM's voting position to be determined on a "case by case" basis for such proxy proposal, or such or such proposal is not listed in the Guidelines, then SCM will choose either to vote the proxy in accordance with the voting recommendation of a non-affiliated third party vendor, or vote the proxy pursuant to client direction. The method selected by SCM will depend on the facts and circumstances of each situation and the requirements of applicable law.

SCM may choose not to vote proxies in certain situations or for certain accounts, such as: (1) where a client has informed the firm that it wishes to retain the right to vote the proxy, the firm will instruct the custodian to send the proxy material directly to the client; (2) where the firm deems the cost of voting would exceed any anticipated benefit to the client; (3) where a proxy is received for a client account that has been terminated with the firm; (4) where a proxy is received for a security the firm no longer manages (i.e. the firm had previously sold the entire position), and/or; (5) where the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question. Also, SCM may be unable to vote proxies for any client account that participates in securities lending programs (i.e. mutual funds).

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If you are a client of SCM and you would like to find out how your proxies have been voted or you would like a complete copy of SCM's current Proxy Voting Policies, Procedures and Guidelines, please send a written request to:

SCM Advisors LLC
Attention: Compliance Department
909 Montgomery Street, Fifth Floor
San Francisco, CA 94133

Email requests may be sent to: compliance@scmadv.com

CLASS ACTION LAWSUITS

SCM is not responsible for exercising client's rights to participate in the proceeds of class action lawsuits affecting securities they own or have owned.

SCM will generally not notify clients regarding class action lawsuits and will not transmit proof of claim forms to clients except upon client request.

CODE OF ETHICS

SCM has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. SCM's Code of Ethics primarily focuses on the prohibition of any "short swing" or market timing activities and personal securities trading practices. Individuals associated with SCM are required to pre-clear all non-exempt purchases and sales with respect to which they are regarded as beneficial owner. Employees may buy or sell securities for their personal accounts identical to or different than those recommended to retirement plan clients. Certain employees are subject to seven-day blackout periods. It is the expressed policy of SCM that no person employed by SCM shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment management trading activities of advisory clients.

SCM's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While SCM does not believe that it has any particular access to non-public information, all employees are reminded periodically that such information may not be used in a personal or professional capacity.

To supervise compliance with the firm's Code of Ethics, SCM requires that anyone associated with the firm provide annual securities holdings reports and quarterly transactions reports to the firm's chief compliance officer.

SCM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

Clients may request a complete copy of SCM's Code of Ethics by contacting the firm's chief compliance officer at (415) 486-6726 or compliance@scmadv.com or 909 Montgomery Street, Fifth Floor, San Francisco, CA 94133.