

HermesECONOMETRICS
Client Agreement

Investor agrees to use the services of Advisor in an investment program using the mutual fund/annuity group designated in the Account Information. Investor authorizes Advisor to effect exchanges between selected funds in accordance with Advisor's Buy/Sell indicators. Investor recognizes that Advisor will implement exchanges between equity or bond funds and money markets on a best-efforts basis, subject to the procedures and limitations established by the mutual fund or annuity company and/or its transfer agent. Hermes assumes no liability or responsibility for policies and procedures of fund and annuity companies, including denied or delayed exchanges. Investor recognizes that there is no assurance as to the accuracy of the Advisor's indicators and that any market losses resulting from the use of such indicators are normal market risks and the risks of the Investor. Investor agrees not to make or permit any exchange in their account contradictory to Hermes' positions. Any such act will relieve Hermes of any liability.

Limited Power of Attorney: This authorization includes the right of Advisor to make exchanges without notice to Investor, and Investor hereby appoints Advisor as his true and lawful limited Attorney-in-Fact to have complete discretionary authority over such fund exchanges. Upon such exchange, a transfer fee may be charged by the mutual fund or custodian bank, which will be deducted from the proceeds of liquidation before reinvestment.

Management fees: Investor shall pay Advisor for services rendered pursuant to this agreement calculated in accordance with the schedule below. Fees shall be payable for the first year upon signing this Agreement, for additional amounts when deposited and as agreed upon by contract. Multiple contracts in the same ownership may be combined to take advantage of breakpoint fee reductions. Fees are paid in advance by check or liquidation from the fund or variable annuity at the option of the client. There may be additional fees imposed by the mutual fund or variable annuity used, and these fees will effect performance. Hermes Econometrics does not participate in any additional fees, other than the advisory fee.

Fees will be refunded in full if termination agreement is requested within five business days of contract acceptance. Accounts will be managed for the period paid. Comparable services may be available from other sources for higher or lower fees. A \$50 service charge will be incurred by a client who converts from one Investor agreement with Advisor to another (except at renewal) and the fee schedule below will apply to the balance of the contract period.

Fee schedule:	Amount Invested	Annual Fee	Billing period
	\$ 25,000 - \$40,000	2.40%	Semi-annually
	\$40,000 - \$100,000	2.40%	Quarterly
	\$ 100,000-\$500,000	2.0%	Quarterly
	\$500,000 - \$999,999	1.50%	Quarterly
	Over \$1,000,000	1.00%	Quarterly

Advisor reserves the right to make exceptions to the account minimums. Unless otherwise precluded by state statute, this Agreement will remain in effect until canceled in writing either by Advisor or Investor. Unless the Advisory fee is received within 15 days of the anniversary date, the Agreement will automatically cancel. Either party may terminate this Agreement by giving written notice to the other at any time during the term of this Agreement.

Disputes: This agreement is accepted in, and shall be governed by and construed in accordance with the laws of the State of California. Any and all disputes to this Agreement or its breach shall be settled by arbitration, by a single arbitrator, in San Francisco, California, in accordance with the then-current rules of the American Arbitration Association ("AAA"), and judgment upon the award entered by the arbitrator may be entered in any Court having jurisdiction hereof. Costs of arbitration, including reasonable attorney's fees incurred in arbitration, as determined by the arbitrator, together with any reasonable attorney's fees incurred by prevailing Party in Court enforcement of the arbitration award after it is rendered by the arbitrator, must be paid to the prevailing Party by the Party designated by the Arbitrator or Court. Said arbitration shall be conducted in the English language and the award rendered in U.S. dollars. Service of the Petition to Confirm Arbitration and written notice of the time and place of hearing on the Petition to Confirm the Award of the Arbitrator shall be made in the manner provided herein for all notice. Such service shall be complete on personal delivery or the deposit of the Petition and notice in the US mail.

Hermes econometrics
An SEC Registered Investment Advisor
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800.488.1781 • 415.454.4184 • Fax 415.454.4195
www.econ101.com • marketing@econ101.com

Account Information

100% of account is in money market fund: _____ . Invest account
 Fund family / account number
 as indicated below (must be a fund family / annuity company on Advisor's approved list).

Or

Account is currently invested as indicated below:

A COPY OF THE MOST RECENT MUTUAL FUND STATEMENT OR THE ANNUITY APPLICATION PAGE MUST ACCOMPANY THIS FORM. Corporate accounts must include a corporate resolution or equivalent document. Trust accounts must include pertinent sections of the trust (see instructions). New accounts received in between exchanges may remain in the money market / or be invested at any time at the Advisor's discretion.

Fund Family / Annuity Name	Fund / Contract Account #	Apprx Account Value	% of total
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TOTALS			100%

Registrations must be the same on all accounts listed above. Use a separate sheet for each fund / annuity family. Advisor may participate in the selection of an investment program in conjunction with registered representative. Advisor reserves the right to use any fund (other than specified) within the fund / annuity family if, in Advisor's opinion, it is more appropriate, or if required by the fund / annuity. No assignment of this contract shall be made without prior written consent of the investor. Hermes reserves the right to refuse a contract with any investor for any reason.

Account Registration: _____

Address: _____

City / State / Zip: _____

Telephone (include area code) _____ Tax ID _____ Date of birth _____

Fax (optional) _____ Email (optional) _____

Indicate type of account: Individual Joint IRA IRA Rollover Other _____

Systematic Withdrawals / Investment Amount \$ _____ Monthly Quarterly Other _____

Representative: _____ Telephone: _____

B/D or RIA: _____

Acknowledgements: I/we give authorization to Advisor to make exchanges via telephone, fax or Internet. Hermes Econometrics is our third party investment advisor and is herein granted authorization to obtain any and all information on the accounts above or to request payment of management fees. I/we have received a copy of the Advisory Disclosure and Compliance Statement, pursuant to SEC Rule 204-3, which includes disclosures regarding Hermes compensation arrangement with the person or firm who solicited or referred me/us to Hermes Econometrics. I/we have read and agree to abide by both sides of this agreement.

Investor signature _____ Date _____

Joint investor signature _____ Date _____

Accepted by Hermes econometrics:

By: _____ Title: _____ Date: _____

HERMES ECONOMETRICS
Advisory Disclosure and Compliance Statement

This Statement is delivered pursuant to SEC Rule 204-3 and contains the information on SEC Form ADV Part II. Please detach and leave with client.

Services offered

Hermes Econometrics serves individual and corporate investors, pension and profit sharing plans, trusts, qualified ERISA plans, and institutional investors. Asset allocation and investment advice is rendered for mutual funds, variable annuity, variable life contracts and index mutual funds. These services are offered through NASD Registered Representatives, having a minimum Series 6 license, and an insurance license if necessary. These services are also offered directly to investors. (SEC ADV Part II, 2, 3G)

Hermes Econometrics specifically provides risk management methods using statistical and technical analysis, charting and econometrics. A data retrieval service is primarily used, but financial newspapers and other research services may be relied upon occasionally. Our exchanges may be implemented as often as one day or as infrequently as annually. Statistical methods will be employed (SEC ADV Part II, 4 A, B C).

The client, may upon consulting with his/her representative, designate in writing the stock or bond fund to be allocated. Hermes Econometrics operates under a limited power of attorney authorizing Hermes Econometrics to exchange between the designated fund and a money-market fund (SEC ADV Part II, 12, A)

Hermes Econometrics does obtain Limited Power of Attorney at the investor's custodian, fund or annuity to effect exchanges in their accounts and to withdraw fees. Hermes Econometrics does not have custody of the client's funds or securities. Hermes does not have the authority to determine, without obtaining specific investor consent the broker/dealer to be used, or the commission rates paid. Hermes may recommend a fund, but will not share in the sales charges or any other charges imposed by the fund or annuity.. Hermes may recommend the substitution of funds if, in its opinion, the funds are not conducive to investment strategy. Hermes Econometrics does not provide financial planning services, charge hourly or fixed fees or commissions (SEC ADV, Part II, 1C, 10)

Hermes Econometrics does not primarily provide investment supervisory services, but does occasionally provide investment advice through consultation with an investor directly. Hermes does not usually recommend representatives to clients, but may recommend a representative based on licensing and location (SEC ADV Part II, 1 A, B)

Hermes Econometrics resolves to set up client accounts as soon as practical. However, due to circumstances beyond the control of Hermes (including such factors as incomplete paperwork, etc), accounts may take four weeks or more to establish. If a signal is called during initial processing, a client's funds may or may not be positioned, and possible losses may occur for which Hermes assumes no responsibility.

Certain personnel positions at Hermes require minimum business experience, investment experience, minimum education level and a proficiency in English (SEC ADV Part II, 5).

Mercury Securities, LLC is an NASD broker-dealer, and is affiliated with Hermes Econometrics. Mercury Securities effects transactions for clients and may receive compensation. Clients of Hermes are not required to be clients of Mercury and visa versa. Hermes and its personnel may on occasion hold or purchase the same mutual funds its clients own, but such purchases do not effect prices to clients and consequently no conflict of interest is believed to exist as purchases are calculated equally at the end of the market session at NAV (SEC ADV Part II 7B, 8 A, 8C, 9 B and D).

Marketing Disclosures

Hermes Econometrics enters into Broker-Dealer agreements with broker-dealers and investment advisors under terms customary for such arrangements, to provide investment advice and asset allocation on behalf of clients. Hermes Econometrics will share up to 50% of the management fee with the broker-dealer or investment advisor (ADV, Part II, 13). The Fund or Annuity will impose advisory and management charges and sales charges. Hermes does not share in any fees other than our advisory fee.

Annuities and Certain Fund Companies

Certain companies do not assign separate money markets account numbers, and accounts must be exchanged using percentages. Exchanges by percentage are complicated, and Hermes Econometrics makes a best effort to make these exchanges as accurately as possible, but will assume no responsibility for accounts that periodically exchange inaccurately.

OUR COMPANY (SEC ADV Part II, 5&6)

Maia L. McGehee (born 1956) earned a B.A. in Economics at San Diego State University in 1979 where she completed graduate coursework in Econometrics. Ms. McGehee worked as an Account Executive at Dean Witter Reynolds from 1979 to 1982. She worked on the trading staff for two San Francisco-based national banks starting in 1982, and for an SEC Registered Investment Advisor from 1985 to 1993. Ms. McGehee had 14 years of securities experience prior to founding Hermes Econometrics Company. Ms. McGehee has been a Registered Representative since 1979, is a Registered Principal and holds the Series 65 (Investment Advisor Law) license. These licenses are held by Mercury Securities, a NASD member firm founded by Ms. McGehee in 1996.

Paul H. Gusciora (born 1956) earned a B.S. ChE (Chemical Engineering) at the University of Massachusetts, Amherst in 1978, a M.S. ChE at the University of Houston in 1980, and a Ph.D. ChE at the University of California, Berkeley in 1986. His graduate research involved modeling, simulation, and control of dynamic chemical-reactor systems. Dr. Gusciora has worked as a control systems engineer for a Fortune 500 petrochemical company since 1986. He is a member of AIChE (American Institute of Chemical Engineers), has presented papers and chaired sessions at engineering conferences, and has authored and reviewed papers for engineering journals. He is proficient in 7 computer and database languages and is knowledgeable about mathematical modeling of physical systems, differential equations, partial differential equations, signal processing, statistics, stochastic processes, and numerical methods. In his capacity as Research Director, Dr. Gusciora provides expert advice about the application of modeling techniques that are not traditionally employed yet applicable to the securities industry.

Fee schedule (SEC ADV Part II, 1D)

Pursuant to the Client Agreement, client shall pay advisor a fee in accordance with the schedule below. Multiple contracts in the same ownership may be combined to take advantage of breakpoint fee reductions. Fees are paid in advance by check or by liquidation from the fund at the option of the client upon conferring with his/her representative. Fees will be refunded in full if termination agreement is requested within (5) business days of contract acceptance. Accounts invested at mutual funds will pay additional fees at the fund company, including management fees and sales charges. Registrant does not share in these additional fees. The account will be managed only for the period paid. A \$50 service charge will be incurred by a client who converts from one Hermes client agreement to another (except at renewal) and the fee schedule described below will apply to the balance of the contract period.

Fee schedule:	Amount Invested	Annual Fee	Billing period
	\$ 25,000 - \$40,000	2.40%	Semi-annually
	\$40,000 - \$100,000	2.40%	Quarterly
	\$ 100,000-\$500,000	2.0%	Quarterly
	\$500,000 - \$999,999	1.50%	Quarterly
	Over \$1,000,000	1.00%	Quarterly

Accounts under \$25,000 may be accepted at the discretion of the registrant. Client acknowledges that semi-annual or quarterly payments may result in a higher annual fee. Client acknowledges that additional fees may be charged at the fund or variable annuity. Fees may be higher or lower for similar services at other advisory firms

Review of Accounts and Programs

All programs are reviewed daily. Each account is reviewed periodically during the year by Ms. McGehee or by an administrative person under her supervision, and annually or more if applicable, for performance. Clients will receive annual and quarterly statements from the funds and may receive quarterly newsletters. The custodian provides written confirmations to the client of all transactions.

Hermes Econometrics offers annually to deliver to each of its clients this Disclosure Statement and Audited Balance Sheet, and Form ADV, Part II as may be amended, at no cost. Please contact us at Hermes Econometrics, 1101 Fifth Ave., Suite 270, San Rafael, CA 94901; 1.800.488.1781 Email:Admin@econ101.com.

***** Representatives: Please leave disclosures with client *****

Management Fee for Third Party Advisor

To: _____
Custodian

I authorize ongoing automatic fee deductions.
 I authorize you to only liquidate for the current fee below.

If both boxes above are blank and the option is available, Hermes will process as an ongoing authorization, until cancelled. Client understands that this transaction may result in a 1099 from the fund/annuity at the end of the year.

Account Title: _____

Fund / Account #: _____

Money Market Fund/ Account# : _____

Qualified accounts:

- I am under 59 1/2 and understand that I may be subject to IRS penalties
- I am over 59 1/2 and therefore not subject to IRS penalties
- I am over 70 1/2 and wish to include this liquidation as part of my required minimum distribution for the year

Non-Qualified accounts: This liquidation represents payment of the advisor's fees.

Payment instructions: Please liquidate \$_____ (not more than 2.4%, net of any applicable fees). Check is to be payable to and sent to:

Hermes Econometrics
FBO: _____
1101 Fifth Avenue, Suite 270
San Rafael, CA 94901
415.454.4184

This is a management fee not subject to withholding. Do not withhold taxes. Code as a non-taxable redemption.

Disclosure for Automatic Fee Deductions: I (we) understand that Hermes Econometrics will calculate the amount of the advisory fee periodically and I (we) authorize the fund or annuity company, at the written request of Hermes Econometrics, to redeem the appropriate number of shares to pay advisory fees to them.

Signatures

Please sign exactly as registered at the fund/annuity company. Include legal title if signing for a corporation, trust, custodial account, etc.

Client / Authorized signature Date Print name

Joint client signature Date Print name

Representative signature Date Print name

Signature Guarantee:

HERMES ECONOMETRICS

BALANCE SHEET

DECEMBER 31, 2007

HERMES ECONOMETRICS

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INDEPENDENT AUDITORS' REPORT

To the Sole Proprietor of
Hermes Econometrics
San Rafael, California

We have audited the accompanying balance sheet of **Hermes Econometrics** (the "Company"), as of December 31, 2007. The balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of **Hermes Econometrics** as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/S/ ACQUAVELLA, CHIARELLI, SHUSTER, BERKOWER & CO., LLP

Iselin, New Jersey
February 25, 2008

HERMES ECONOMETRICS

BALANCE SHEET

DECEMBER 31, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,295
Management fee receivable	<u>22,332</u>

Total current assets	35,627
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Property and equipment, net of accumulated depreciation and amortization of \$95,862	23,900
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Other assets	<u>4,217</u>
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Total assets	<u>\$ 63,744</u>
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LIABILITIES AND PROPRIETOR'S CAPITAL

Current liabilities

Commissions payable and accrued expenses	<u>\$ 19,117</u>
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Proprietor's capital	<u>44,627</u>
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Total liabilities and proprietor's capital	<u>\$ 63,744</u>
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See notes to the Balance Sheet.

HERMES ECONOMETRICS

NOTES TO BALANCE SHEET

DECEMBER 31, 2007

1. Organization

Hermes Econometrics (the "Company") is a proprietorship operating as a registered investment advisor. The Company assists clients in investing in mutual funds and variable annuities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying balance sheet has been prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

The presentation of balance sheets in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and equipment are stated at cost. The Company depreciates its property and equipment using the straight-line method over their useful lives of five to fifteen years.

3. Property and Equipment

Property and equipment consist of the following:

Furniture and fixtures	\$15,557
Automobile	55,652
Equipment	43,639
Leasehold improvements	<u>4,914</u>
	119,762
Less: Accumulated depreciation and amortization	<u>95,862</u>
	<u>\$23,900</u>

4. Income Taxes

The Company is a proprietorship and is not a separate taxable entity. Therefore, no provision or liability for federal income taxes is included in this balance sheet. The proprietor is taxed on net income of the Company on her personal income tax return.

HERMES ECONOMETRICS

NOTES TO BALANCE SHEET

DECEMBER 31, 2007

5. Related Party Transactions

The Company is co-obligated under a lease for its office facilities under an agreement that expires on May 31, 2008. The lease contains provisions for escalations based on increases in certain costs incurred by the lessor. Monthly minimum lease payments aggregate \$3,991.

Pursuant to an agreement with the co-obligor (an entity controlled by the majority owner of the Company), the Company's share of the lease is 90%.