

## Form ADV – Part II

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*Uniform Application for  
Investment Adviser Registration*

*January, 2010*

## Form ADV – Part II

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Dixon, Hubbard, Feinour & Brown, Inc. (DHF&B) is a federally registered investment adviser under the Investment Advisers Act of 1940. The following information responds to the questions set forth in Part II of Form ADV, the form on which investment advisers register with the Securities and Exchange Commission (SEC).

The physical address for Dixon, Hubbard, Feinour & Brown, Inc., SEC File Number 801-15740, is 601 S. Jefferson Street, Suite 410, Roanoke, Virginia 24011. The firm's mailing address is Post Office Box 2768, Roanoke, Virginia, 24001-2768 and its telephone number is (540) 343-9903.

1. **Advisory Services and Fees.**

- A. DHF&B provides investment supervisory services (100%).
- B. DHF&B does not call any of the services outline in item 1(A) as financial planning or some similar term.
- C. DHF&B offers investment advisory services for a percentage of assets under management. DHF&B does not charge hourly fees, fixed fees, subscription fees, commissions, or other types of fees.
- D. See Schedule F for a further description of services provided and applicable fee schedules.

2. **Types of Clients.** DHF&B generally provides investment advice to individuals; pension and profit sharing plans; trusts, estates, or charitable organizations; and corporations or business entities other than those previously mentioned.

3. **Types of Investments.** DHF&B offers advice on the following types of investments: equity securities, including exchange-listed securities and securities traded over-the-counter; warrants; corporate debt securities (other than commercial paper); commercial paper; certificates of deposit; municipal securities; investment company securities - mutual fund shares; United States government securities; and options contracts on securities. DHF&B does not offer advice on variable life insurance; variable annuities; options contracts on commodities; futures contracts on tangibles or intangibles.

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4. **Methods of Analysis, Sources of Information, and Investment Strategies.**
  - A. DHF&B's security analysis methods include charting, and fundamental and technical analysis.
  - B. The main sources of information that DHF&B uses 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 SEC; and company press releases.
  - C. The investment strategies used to implement any investment advice given to clients include:
    - i. Long term purchases (securities held at least a year);
    - ii. Short term purchases (securities sold within a year);
    - iii. Option writing, including covered options, uncovered options, or spreading strategies.
5. **Education and Business Standards.** See Schedule F for a description of general standards of education or business experience that DHF&B requires of those involved in determining or giving investment advice to clients.
6. **Education and Business Backgrounds.** Schedule F contains education and business background information for all investment professionals at DHF&B.
7. **Other Business Activities.** DHF&B is not actively engaged in any business other than giving investment advice, nor does it sell products or services other than investment advice to clients; nor does the principal business of DHF&B or its principal executives involve something other than providing investment advice.

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**8. Other Financial Industry Activities or Affiliations:**

- A. DHF&B is not registered as a securities broker-dealer.
- B. DHF&B is not registered as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. DHF&B has no arrangements with broker-dealers, investment companies, other investment advisers, financial planning firms, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or entity that creates or packages limited partnerships, that are material to its advisory business or its clients.
- D. DHF&B or a related person is not a general partner in any partnership in which clients are solicited to invest.

**9. Participation or Interest in Client Transactions.** DHF&B or related persons buys or sells for itself securities that it also recommends to clients. See Schedule F for more information.

**10. Conditions for Managing Accounts.** DHF&B does provide investment supervisory services *and* imposes a minimum dollar value of assets or other conditions for starting or maintaining an account. See Schedule F for more information.

**11. Review of Accounts.**

- A. DHF&B currently employs a team approach to client account management. Each account is assigned both an administrative manager and an investment (portfolio) manager, which may be the same individual in some cases. There are eight investment professionals (listed in Schedule F item 6 – Education and Business Background) with accounts assigned to them in either role. The administrative manager is primarily responsible for client contact and for establishing the investment objective in conjunction with the client as well as ongoing account review. The portfolio manager is

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responsible for constructing and maintaining the investment portfolio designed to achieve these objectives. Portfolio managers are mainly responsible for review of all securities held in all accounts assigned to them, as well as for review of each client's account to determine the likelihood of the specific assets held continuing to achieve the investment objective. Review of all assets takes place continuously. Individual accounts are also monitored daily and reviewed formally by a committee of the investment professionals outlined above. The committee meets weekly and each account comes before the committee for a formal review on at least a quarterly basis. Changes in portfolio holdings are made, when appropriate, to further the likelihood of achieving the investment objective or when the investment objectives change. All accounts receive approximately equal attention and review, which is the primary reason for the team approach. The number of accounts assigned to each investment professional varies according to function.

- B. The nature and frequency of regular reports to clients on their accounts:
  - i. Clients are furnished statements of assets held, showing cost and market values and other financial statistics, each calendar quarter. In addition, they are promptly advised of security transactions, as effected. Comments pertinent to their account may be included with the quarterly statements.
  - ii. Clients also receive monthly statement packages, including holdings and transaction history, directly from the custodian of the account's assets.

### 12. **Investment or Brokerage Discretion.**

- A. DHF&B or any related person has the authority to determine, without obtaining specific client consent (see Schedule F for more detail):
  - i. Securities to be bought or sold;
  - ii. Amount of the securities to be bought or sold;

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- iii. Broker or dealer to be used;
- iv. Commission paid;
- v. The order in which trades are executed (block trades are placed before directed trades).

B. DHF&B or a related person does not suggest brokers to clients.

13. **Additional compensation.**

- A. DHF&B does *not* have any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.
- B. DHF&B does *not* have any arrangements where it directly or indirectly compensates any person for client referrals.

## Schedule F

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1. D.	INVESTMENT SUPERVISORY SERVICES.
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We provide investment supervisory services, as defined, managing securities portfolios and giving continuous advice to clients as to the investment of funds on the basis of their individual needs. Annual compensation is a percentage of the assets under management according to the following schedule: 1.00% of the first \$1 million market value; .75% of the next \$4 million market value; .50% of market value above \$5 million. Minimum fee is \$5,000. Fees are negotiable in special situations.

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Accounts invested entirely in Mutual Funds are charged according to the following schedule:

1% of the market value; minimum fee is negotiated. The fee is in addition to management fees and operating expenses which are deducted directly by the mutual fund.

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Compensation is payable quarterly in arrears at 25% of above schedules. The quarterly fee may be adjusted down for significant contributions or up for significant withdrawals that occur during the billing period and comprise 10% or more of the account value. The investment advisory contract contains no termination date. However, the company or client may terminate the contract at any time with reasonable notice to the other party. The client also has the right to terminate the contract without incurring any fees within five calendar days from entering into the contract. Termination by either party afterward would result in fees prorated and payable to the effective date of termination.

5.	EDUCATION AND BUSINESS STANDARDS.
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College degree and graduate level degrees are desirable. However, the most important criterion is at least several years prior work experience in managing securities portfolios and communicating with investment advisory clients.

6.	EDUCATION AND BUSINESS BACKGROUND.
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## Schedule F

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Answer

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Walter M. Dixon, Jr., CFA

Year of Birth: 1938

Education: BA, University of Virginia, 1959  
CFA (Chartered Financial Analyst), 1971.

Business and Investment Experience: Mr. Dixon is the founder and has been a principal in what is now Dixon, Hubbard, Feinour & Brown, Inc. since 1980. Prior to this he was head of the Trust Investment Division of First National Exchange Bank, Roanoke, Virginia.

William Stebbins Hubbard, Jr.

Year of Birth: 1951

Education: BS, Virginia Tech, 1974  
MBA, Virginia Tech, 1976.

Business and Investment Experience: Mr. Hubbard has been a principal in what is now Dixon, Hubbard, Feinour & Brown, Inc. since 1985. Prior to this he was head of the Corporate & Technical Services Group of Dominion Trust Company, Dominion Bankshares, Roanoke, Virginia.

Edwin Robert Feinour

Year of Birth: 1945

Education: BS, University of Virginia, 1967  
JD, Washington & Lee School of Law, 1970.

Business and Investment Experience: Mr. Feinour has been a principal in what is now Dixon, Hubbard, Feinour & Brown, Inc. since 1988. Prior to this he was Executive Vice President of Dominion Bankshares Corp., Roanoke, Virginia and President of Dominion Trust Company.



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Charles Whitney Brown, Jr., CFA

Year of Birth: 1959

Education: BS, University of Virginia, 1981  
MBA, University of Chicago, 1986  
CFA (Chartered Financial Analyst), 2001.

Business and Investment Experience: Mr. Brown has been employed by Dixon, Hubbard, Feinour & Brown, Inc. since 1998 and became a principal in the firm in 2001. From 1995 to 1998, he was associated with Business Management Services, Inc., Roanoke, Virginia. From 1993 to 1995, he was employed by GE Life and Annuity, formerly Life Insurance Company of Virginia.

Jonathon Edwin Grace

Year of Birth: 1955

Education: BA, Mary Baldwin College, 1997

Business and Investment Experience: Mr. Grace has been employed by Dixon, Hubbard, Feinour & Brown, Inc. since 1993. Prior to that, he was a Senior Vice President and Trust Operations Group Head with Dominion Trust Company, Roanoke, Virginia.

Walter M. Dixon, III, CMT

Year of Birth: 1968

Education: BA, Emory & Henry College, 1990.  
Chartered Market Technician, 2007.

Business and Investment Experience: Mr. Dixon has been employed by Dixon, Hubbard, Feinour & Brown, Inc. since 2000. Prior to that, he had seven years experience in investments and insurance.

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9.E.	PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS.
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Investment portfolio managers must place the interest of the firm's clients above their own or those of the firm in effecting security transactions. They are expressly prohibited from effecting transactions for their own or for the firm's account which take advantage, or appear to take advantage, of transactions effected for the firm's clients, also known as scalping. Employees are allowed to trade in the same publicly-traded securities as client accounts, and even at the same time, so long as any transaction complies with DHF&B's Personal Trading Policy, which applies to all "access" persons at DHF&B (all employees with access to trading decisions).

10.	CONDITIONS FOR MANAGING ACCOUNTS.
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Dixon, Hubbard, Feinour & Brown, Inc. has a minimum fee based on specific service (see Schedule F, Item 1.D.)

12.	INVESTMENT OR BROKERAGE DISCRETION.
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In general, DHF&B exercises discretion regarding securities to be purchased and sold, brokers used to effect such transactions, and commissions paid. However, our clients may retain some or all of this authority to themselves, especially regarding the retention of specific assets. We frequently achieve volume commission discounts and the best possible execution price by blocking client orders for the same security into one large order and then allocating the "average" price and commission among the individual accounts that participated in the blocked trade. In the event that a client directs that transactions for his/her account are to be placed through a specific broker or the client declines to be involved in blocked transactions, we communicate to the client that these directions may result in higher execution costs and less competitive prices than may otherwise be available, and that trades will be placed with the broker of their choice after block trades have been placed with the broker(s) of our choosing. The client's best interests are the determining factor in selecting brokers to effect securities transactions. Selections are made considering:

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	(a) the broker's ability to effectively complete transactions in a timely fashion;
	(b) competitive net price to the client, considering both transaction price and commission paid;
	(c) the quality of research and investment services provided by the brokerage firm. Such services include company and industry analysis, securities markets commentaries, financial statistics, and other information pertinent to managing securities portfolios.
	<u>Specific research and investment services provided by brokerage firms include:</u> <b>Advent Software, Inc.</b> , San Francisco, California - a <i>portion</i> of the costs of the underlying portfolio accounting system (Axys) and related trade order management (Moxy and DTCC), and account reconciliation (ACD);  <b>BCA Publications</b> - <u>Bank Credit Analyst</u> , interest rate and fixed income forecasts and research;  <b>Charles Schwab &amp; Co.</b> - As a result of using Schwab to custody client assets, primarily mutual fund and smaller accounts, certain benefits accrued to DHF&B, including: SchwabLink software for portfolio modeling, online access to accounts, trading platforms, and research [whether utilized or not].  <b>Interactive Data</b> - supplier of bond ratings, pricing, dividend announcements and other equity and fixed income data;  <b>Lowry's Reports Inc.</b> - stock market analysis, equity information and ratings;  <b>Merrill Lynch Money Manager Services</b> - As a result of using MLMMS to custody client assets, certain benefits accrued to DHF&B, including: online trading and allocation platforms, online account access, and equity and fixed income research [whether utilized or not].  <b>Morningstar, Inc.</b> - <u>Principia Mutual Funds Advanced</u> and <u>Principia Asset Allocation</u> - mutual fund research and data;  <b>Ned Davis Research, Inc.</b> - Equity research.  <b>Scott &amp; Stringfellow, Inc. a subsidiary of BB&amp;T</b> - As a result of using S&S to custody client assets, certain benefits accrued to DHF&B, including: terminal access to its BETA portfolio and securities accounting system.  <b>Standard &amp; Poors</b> - <u>Outlook</u> , weekly market research publication;  <b>Stratfor Premium</b> - online economic and global analysis.

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	<b>Sungard</b> – FIX Trading connectivity and DTCC confirmations/affirmations.
	<b>Telemet America, Inc.</b> – <u>Telemet Orion</u> and <u>TeleVista</u> , real-time and historic market data system with desk-top access to prices, charts, research and business news.
	<b>Thompson One Financial</b> – <u>Investment View</u> - monthly database of standard index returns and benchmarks (e.g. S&P 500 Composite Index);
	<b>Value Line</b> - <u>Investment Survey</u> , print and online equity and mutual fund information, ratings, and research;
	<b>William O'Neil &amp; Company, Inc.</b> – Equity charting and research.
	and <b>other research publications</b> , including: <u>Barrons</u> , and <u>The Chartist</u> .

A current list of eligible brokers is maintained, as well as a file of their financial condition. On a continuous basis we appraise each firm's ability to execute transactions efficiently at competitive net prices to our clients. We also evaluate the quality of the research services they provide and the benefit of these services to our clients.

We may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction when:

- (a) the net price to our client, after commission, is expected to be more favorable;
- (b) recognizing the value to all clients of research services received from the brokerage firm. Research services furnished by brokers through whom we effect securities transactions may be used in servicing all our client accounts. However, not all such services may be used in connection with the accounts which paid commissions to the broker providing such services. In all cases we exercise our best judgment to determine that our client's overall best interests are served in effecting all securities transactions.