

**Form ADV Part 2A
Firm Brochure**

Item 1. Cover Page

FLIPPIN, BRUCE & PORTER

Investment Counsel

**800 Main Street, 2nd Floor
Lynchburg, VA 24504-1508
www.fbpinc.com**

March 26, 2012

**You may contact us at
434.845.4900 or
fbp@fbpinc.com**

This brochure provides information about the qualifications and business practices of Flippin, Bruce & Porter, Inc. Please contact our Chief Compliance Officer if you have any questions about the contents of this brochure. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Flippin, Bruce & Porter, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document (or brochure) that we provide to clients as required by SEC rules.

Pursuant to the new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

This brochure was last updated on March 30, 2011. Since that time, we have made the following material and non-material changes:

1. Item 4, Our Firm and Item 10, Mutual Funds:
The names of the firm’s mutual funds have changed. The FBP Value Fund is now the FBP Equity and Dividend Plus Fund. The FBP Balanced Fund is now the FBP Appreciation and Income Opportunities Fund.
2. Item 4, Management of the Firm:
Stephen Simmons is no longer a member of the Executive Committee as he has left the firm.
3. Item 5, Fees and Compensation:
The firm has instituted a new fee schedule for individually managed accounts utilizing the Equity and Dividend Plus strategy.
4. Item 10, Sponsored Programs:
The brochure no longer lists the individual sponsored programs as these are available in Form ADV Part 1, Section 5.I.(2) Wrap Fee Programs.

Currently, our brochure may be requested free of charge by contacting Teresa L. Sanderson, Chief Compliance Officer at (434) 522-7226 or tsanderson@fbpinc.com. Our brochure is also available on our website www.fbpinc.com.

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Item 4. Advisory Business

Our Firm

Our firm, Flippin, Bruce & Porter, (FBP) was formed in 1985, is located in Lynchburg, VA and is 100% employee owned. We offer investment management services primarily on a fully discretionary basis, taking into consideration each client's:

- Risk tolerance
- Liquidity needs
- Time horizon
- Tax considerations
- Return expectations
- Overall investment objectives
- Any other pertinent issues

We provide investment management services for accounts that we manage independently. We manage two mutual funds, the FBP Appreciation & Income Opportunities Fund (formerly known as the FBP Balanced Fund) and the FBP Equity & Dividend Plus Fund (formerly known as the FBP Value Fund). We also manage accounts as an adviser, subadviser and/or research provider to sponsored, all-inclusive asset-based fee programs or relationships (sometimes referred to as "wrap fee" programs).

Management of the Firm

Day to day management of the firm is under the direction of the Executive Committee and its members, who are among the principal owners of the firm. They are as follows:

John T. Bruce, CFA
President and Founder

John H. Hanna, IV
Director of Marketing and Principal

David J. Marshall, CFA
Portfolio Manager/Analyst and Principal

Norman D. Darden, III, CFA
Portfolio Manager/Analyst and Principal

Types of Investments

We more fully describe the investment strategies we use to implement investment advice given to clients in [Item 8](#). Our primary investment expertise is implementing a large capitalization value approach in achieving our clients' investment objectives. However, we may offer advice on a range of securities, which include and are generally limited to the following:

- Exchange-listed equity securities
- Over-the-counter equity securities
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Exchange-traded funds (ETFs)
- United States government securities
- Option contracts on securities

As financial markets and products evolve, we may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with client guidelines and objectives.

We generally have investment discretion. Clients may limit our discretion by prohibiting or limiting the purchase of securities or industry groups or imposing other limitations.

Sponsored Program Services

We participate in sponsored programs as more fully described in [Item 10](#). Generally, we manage accounts in these programs consistent with all other accounts we manage independently with similar investment objectives, risk tolerances and time horizons. We receive a portion of the total fee from the sponsoring organization for our services.

Client Assets

As of December 31, 2011, we managed client assets of approximately \$657 million on a discretionary basis, which was substantially all assets under our management.

Performance Presentation

We sometimes advertise or report the investment performance of accounts under management. We claim compliance on a firm-wide basis with the Global Investment Performance Standards (GIPSTM) when doing so.

Brockman, Drinkard & Pennington, an independent accounting firm, performs an annual verification of our firm. Verification includes ensuring that our policies and procedures are in accordance with the GIPS standards and are being followed. A copy of the most recent verification report is available upon request by writing to us at the address shown on the [cover page](#) of form ADV Part 2A (this document).

Item 5. Fees and Compensation

Independently Managed Accounts

We base our annual charges for services as adviser on the market value of the assets in a client's account as computed at the end of each quarter, and we charge them on a quarterly basis. A client's advisory agreement with us authorizes their custodian to deduct and pay our fee from their account upon receipt of billing; or at a client's request, we will bill them directly. A client, subject to our approval, may pay our fee in advance. We would refund any unearned prepaid fee should the account close. A client will incur other fees, including brokerage, transaction and custody fees, which other parties will charge. We discuss brokerage more fully in [Item 12](#).

The fee schedule that applies generally to accounts we manage (other than the FBP Appreciation & Income Opportunities Fund and the FBP Equity & Dividend Plus Fund, which we discuss under [Item 10](#)) is as follows:

<u>Annual Fee Schedule</u>		
.60%	on the first	\$10,000,000
.50%	thereafter	

The fee schedule that applies to Equity & Dividend Plus accounts we manage is as follows:

<u>Annual Fee Schedule</u>		
.75%	on the first	\$1,000,000
.60%	on the next	\$9,000,000
.50%	thereafter	

Under certain circumstances, we reserve the right to negotiate fees, which may result in different fees for similar investment management services.

Clients' funds held in exchange-traded funds (ETFs), mutual funds and trust certificates, including custodians' money market funds or other similar investment vehicles, are charged a fee within and by the fund's management in addition to the fee that our firm charges for managing the account.

Either our clients or our firm may terminate investment advisory contracts without penalty upon thirty days' written notice, unless otherwise negotiated. In the event of termination prior to the end of a quarter, we will prorate the fee for that quarter.

Upon request, we may also provide portfolio analysis and review through consultation at a negotiable hourly rate, payable subsequently.

Sponsored Account Relationships

For accounts that we manage as an adviser, subadvisor or research provider in sponsored programs, the sponsoring entity pays us our management fee on behalf of their client. That sponsoring entity executes their client's portfolio transactions without separate commission charges. The same sponsoring entity also monitors our performance, and may also act as custodian, or provide some combination of these or other services, all for a single, all-inclusive asset-based fee, which the sponsoring entity charges their client.

Sponsored program clients are encouraged to review materials prepared by the program sponsors, such as a sponsor's Form ADV 2A and Appendix I (Firm brochure and Wrap Fee Program brochure). Those sponsor-provided documents should describe the business, financial terms and arrangements between the program sponsors and investment advisers such as our firm.

The sponsoring entity generally will handle all brokerage for accounts managed under sponsored programs and in instances where we are compensated through sponsored arrangements. We do reserve the right though, to direct the brokerage in our client's best interest. We may exercise this right if we believe in good faith that a broker-dealer other than the sponsoring one can effect a transaction at a price, including any brokerage commissions or dealer mark-up or mark-down, more favorable than if the sponsoring entity effected the transaction. In many cases, brokers other than the sponsoring entity will execute transactions that involve fixed income securities. They will do so on a principal basis and the transaction will include a mark-up/mark-down or spread. Under an all-inclusive asset-based fee arrangement, we do not typically negotiate commissions; the fee that the client pays the sponsoring or referring entity includes brokerage services, with a portion of the fee in place of commissions. If we use a broker-dealer other than the sponsor to execute trades, the client's account will be charged for any additional costs incurred in the transaction.

In evaluating an all-inclusive asset-based compensation arrangement, a prospective client should consider the level of the all-inclusive fee in relation to the costs of obtaining similar services independently, specifically:

- Our investment management services
- The commission costs
- The value attributed to monitoring the account
- The cost of custodial and any other services

The aggregate cost of the services listed above may be less than a single all-inclusive asset-based fee. This all-inclusive fee structure, however, may make our investment management services and other professional services available to clients with accounts not meeting our minimum size requirement.

We may serve as a research provider to one or more investment advisers. We are compensated based on a percentage of total assets attributable to accounts that use our research under a research-provider arrangement.

Additional Required Disclosures Not Applicable to our Firm

Neither our firm nor any of our supervised persons accepts compensation for the sale of securities or other investment products.

Item 6. Performance-Based Fees and Side-By-Side Management

Our firm does not currently manage any performance-based accounts. Please see [Item 5](#), where we discuss our fee arrangements.

Item 7. Types of Clients

We provide investment advisory, sub-advisory or research-provider services to a variety of clients including:

- High net worth individuals
- Investment companies (including mutual funds)
- Pension and profit sharing plans
- Charitable organizations
- Corporations
- State or municipal government entities

Minimum Account Size

The minimum account sizes for our services are generally as follows:

- Independently managed
 - Large Cap Value, \$1,000,000
 - Equity & Dividend Plus, \$500,000
- Sponsored Programs, \$100,000
- FBP Mutual Funds
 - Regular accounts, \$5,000
 - Tax-deferred retirement accounts, \$1,000

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Our Philosophy

First and foremost we are value managers. This value orientation is at the core of how we evaluate securities, make purchase and sale decisions, and structure accounts. We strive to meet our clients' investment objectives by investing in high-quality securities with a value philosophy that factors in human emotion, price, historical valuation, and fundamental analysis. Investment decisions are made by our investment team.

Our Approach to Equities

We seek to acquire securities of companies, which, in our judgment, are significantly undervalued in the securities markets because they are currently "out of favor" with the market or temporarily misunderstood by the investment community. As investors overreact to near-term events, they create overvalued and undervalued security prices in relation to a company's long-term outlook. As the price of a security separates from what we believe to be its value, an opportunity may be created. In determining whether an equity security is undervalued, we consider, among other things:

- Current valuation with respect to price-to-sales, price-to-book value, price-to-cash flow, price-to-earnings and dividend yield, compared to historical valuations of the same measure and past and future prospects for the company
- Analysis of the fundamentals of the business including balance sheet strength, return on and use of capital, industry/economic climate, management history and strategy, and earnings potential under various business scenarios
- Wall Street opinions and largest institutional holders
- Information from various sources including research material generated by the brokerage community; periodic company reports, announcements and discussions with management, conference calls; and other investment and business publications

Our fundamental analysis includes a focus on long-term drivers of value helping us to determine investment merit. Revenue growth, profit margin potential, profitability, financial flexibility, free cash flow, competitive position, and management's track record are key drivers. We add securities to the account based on this analysis and when a substantial discount to our estimated value is present.

The account will hold companies that will be evidencing stages of recovery and the investment community will, in varying degrees, be recognizing this recovery. Recognition may take many forms, some of which may be:

- Favorable research reports and purchase recommendations by brokerage firms and other investment professionals

- Renewed institutional interest through reported large block purchase transactions
- Favorable market price movements relative to the stock market as a whole

As these securities approach our estimated value, they become candidates for partial sale to lower the weighting in the account or outright elimination from the account. They may also become candidates for the option-writing activity described under the heading [Types of Securities – Covered Call Options](#).

Our Approach to Fixed Income

We manage fixed income securities as part of our balanced (equity and fixed income) account management. We also manage separate fixed income accounts. We believe the primary purpose of fixed income is to provide stability and income. Therefore, we typically maintain an average maturity in the two- to five-year range and individual issues will generally not exceed ten years in maturity as the longer the maturity, the higher the volatility. Depending on each client's investment objectives, our approach would use primarily U.S. government or agency securities, investment-grade corporate bonds or tax-exempt securities. Diversification attributes, analysis of quality rankings, yield and sector spreads, and the business cycle help us determine which securities to select. We determine the asset allocation for a balanced account based on the client's investment objectives as well as risk tolerance, time horizon and any other consideration. We may sell a fixed income security due to changes in market conditions, credit worthiness, interest rates, fiscal policies or a change in our outlook.

Our Approach to Dividend Income Equities

For clients whose investment objectives include an above-average income requirement and who also want equity market exposure, we will invest in equities of companies that have above-average dividend yield, attractive valuation, and dividend growth potential. We also use covered call option writing strategies to generate additional income for the account as described below under the heading [Types of Securities – Covered Call Options](#). In researching companies, we will assess the fundamentals of a business including the sustainability of its dividend, its competitive position, and industry dynamics. In selecting investments, we will focus on companies that exhibit one or more of the following characteristics:

- Dividend yield greater than the market
- Attractive valuation based on historic, absolute and/or relative value
- History of growing dividends with the likelihood of sustainable dividend growth
- Availability to use covered call options

We will attempt to control risk through diversification among major market sectors. We will sell securities when we believe potential for capital appreciation no longer exists, option writing activity results in sale, when the dividend yield is no longer attractive, when the fundamentals of

the issuer's business or general market conditions have changed, or when opportunities that are more attractive become available.

Types of Securities

Equity Securities – The accounts we manage invest in a variety of companies, industries and economic sectors to seek the best opportunities for capital appreciation and growth with moderate risk. We invest the accounts primarily in securities of the largest 1,000 domestic companies having operating histories of 10 years or longer. Although we invest primarily in common stocks, we may also invest a portion of the assets in other equity securities, including straight preferred stocks, convertible preferred stocks and convertible bonds, that are rated at the time of purchase in one of the four highest grades assigned by a nationally recognized rating agency, or unrated securities determined by us to be of comparable quality.

Covered Call Options – When we believe that individual equity securities held by the account are approaching the top of our growth and price expectations, we may write (sell) covered call options against those securities. We write options for income generation and for hedging purposes and not for speculation. We will only write options that are issued by the Options Clearing Corporation and listed on a national securities exchange. We will only use covered call options in accounts that have agreed in writing to use options as part of their overall investment strategy.

Fixed Income Securities – Fixed income securities include corporate debt obligations, U.S. Government obligations and tax-exempt obligations. We will generally invest in securities that mature in 1 to 10 years from the date of purchase except when, in our opinion, long-term interest rates are expected to be in a declining trend, in which case maturities may be extended longer. Corporate debt obligations will consist primarily of “investment grade” securities rated in one of the four highest rating categories by a nationally recognized rating agency, or, if not rated, are, in our opinion, of equivalent quality. U.S. Government obligations include direct obligations of the U.S. Treasury and securities issued or guaranteed as to interest and principal by agencies or instrumentalities of the United States. We may use tax-exempt obligations for accounts we manage independently and if consistent with the account's investment objectives and tax considerations. Tax-exempt securities may include general obligation bonds, revenue bonds, lease obligations, pre-refunded obligations and certain types of revenue bonds.

Money Market Instruments – We primarily will use the custodian's available money market funds for investment of an account's cash reserves. We may also use other money market instruments such as U.S. Government obligations and corporate debt securities (including those subject to repurchase agreements), bankers' acceptances, certificates of deposit and commercial paper, including variable amount demand master notes.

Principal Risks of Loss

The investment strategies described above are not intended to be a complete investment program and there can be no assurance that the strategies will achieve their investment objectives. As with any investment, there is a risk that you could lose money by investing in any of the strategies described above. An investment in the securities markets is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Stock Market Risk – The return on and value of an investment in equities will fluctuate in response to stock market movements. Stocks and other equity securities are subject to inherent market risks and fluctuations in value due to earnings and other developments affecting a particular company or industry, stock market trends and general economic conditions, investor perceptions, interest rate changes and other factors beyond our (the adviser's) control. Stocks tend to move in cycles and may experience periods of volatility and instability.

Large Company Risk – Larger capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes, and may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

Covered Call Option Risk – The use of options requires special skills and knowledge of investment techniques that are different from those normally required for purchasing and selling securities. If we are incorrect in our price expectations and the market price of a security subject to a call option rises above the exercise price of the option, the account will lose the opportunity for further appreciation of that security.

Fixed Income Risk – Fixed income securities held are subject to fluctuation in value based on changes in interest rates or in the creditworthiness of individual issuers.

- ***Interest Rate Risk*** – The value of fixed income securities will normally vary inversely with the direction of prevailing interest rate movements. Generally, when interest rates rise, the value of fixed income securities can be expected to decline.
- ***Maturity Risk*** – The value of fixed income securities also depends on their maturity. Generally, the longer the maturity of a fixed income security, the greater its sensitivity to changes in interest rates.
- ***Credit Risk*** – The value of fixed income securities also depends on the creditworthiness of an issuer. A deterioration in the financial condition of an issuer, or a deterioration in general economic conditions could cause an issuer to fail to pay its principal and interest when due. Corporate debt obligations rated in the fourth highest category by a nationally recognized rating agency have speculative characteristics and changes in economic conditions or other

circumstances are more likely to lead to a weakened capacity to pay principal and interest than is the case with higher-grade securities. While obligations of some U.S. Government-sponsored entities are supported by the full faith and credit of the U.S. Government, several are supported by the right of the issuer to borrow from the U.S. Government, and still others are supported only by the credit of the issuer itself. The guarantee of the U.S. Government does not extend to the yield or value of the U.S. Government securities held by the account. Tax-exempt issues often are un-rated due to the size of the offering or of the outstanding issue. These issues require credit analysis by our firm and we may be incorrect in our assessment of the credit worthiness of the issuer.

- **Risks Associated with Credit Rating** – A rating by a nationally recognized rating agency represents the agency’s opinion as to credit quality of a security but is not an absolute standard of quality or guarantee as to the credit worthiness of an issuer. Ratings of nationally recognized rating agencies present an inherent conflict of interest because such agencies are paid by the entities whose securities they rate. The credit rating of a security does not necessarily address its market risk (that is, the risk that movements in the overall financial markets or changes in the level of interest rates will adversely affect the value of a security). In addition, ratings may not be revised promptly to reflect developments in the issuer’s financial condition.
- **Liquidity Risk** – Liquidity risk is the risk that a security could not be sold at an advantageous time or price due to a security downgrade or adverse conditions within the fixed income market.

Investment Style and Management Risk –Our method of security selection may not be successful and the securities in the account may not perform as well as the market as a whole. There can be no assurance that we will be correct in our expectations of recovery for the equity securities selected for equity-oriented accounts or to select equity securities or fixed income securities for balanced accounts correctly. There is no assurance we will allocate the account’s investments between equities and fixed income correctly. Some undervalued securities we select may continue to be undervalued for long periods of time and some “out of favor” companies may never regain a favorable position in the market. Equities we select for above-average dividend yield may reduce or stop paying dividends, which would reduce the account’s ability to generate income.

Additional Information about Investment Strategies

Options – When we write a covered call option (“call”), the account receives a premium and agrees to sell the underlying security to a purchaser of a corresponding call at a specified “strike price” by a future date (“exercise date”). To terminate the obligation on a call the account has written, we may purchase a corresponding call in a “closing purchase transaction.” An account will realize a profit or loss, depending upon whether the price of the closing purchase transaction is more or less than the premium (net of transaction costs) previously received on the call written. The account may realize a profit if the call it has written lapses unexercised, in which case the account keeps the premium and retains the underlying security as well. If a call written by an account is exercised, the account forgoes any possible profit from an increase in the market price of the underlying security over the exercise price plus the premium received.

Call writing affects the account’s portfolio turnover rate and the amount of brokerage commissions paid. Commissions for options are normally higher than for general securities transactions. They are payable when writing calls and when entering into closing purchase transactions.

Exchange-Traded Funds – Each account may invest in exchange-traded funds (“ETFs”) if we believe it is advisable to adjust the account’s exposure to the broad markets or to industry sectors without purchasing a large number of individual securities. They may be used in the initial investment to gain market or sector exposure. They may be used to rebalance or maintain exposure efficiently due to unexpected account changes and for tax strategies. They may be alternative assets classes such as real estate, commodities, international stocks or other fixed income, for example, to increase diversification in conjunction with an account managed primarily using one of our firm’s investment approaches. ETFs typically hold a portfolio of securities designed to track the performance of a particular index. ETFs differ from traditional index funds in that their shares are listed on a securities exchange and can be traded intraday.

An investment in an ETF generally presents the same primary risks as an investment in a conventional investment company, including the risk that the general level of security prices owned by the ETF may decline, thereby affecting the value of the shares of the ETF. In addition, ETFs are subject to certain risks that do not apply to conventional open-end mutual funds, including the risk that the market price of an ETF’s shares may trade at a discount or a premium to its net asset value, or that an active trading market for an ETF’s shares may not be developed or maintained. ETFs are also subject to the risks of the underlying securities or sectors that the ETF is designed to track.

Item 9. Disciplinary Information

Neither our firm nor any of its employees has any reportable disciplinary history.

Item 10. Other Financial Industry Activities and Affiliations

Mutual Funds

We sponsored the organization of the FBP Appreciation & Income Opportunities Fund and the FBP Equity & Dividend Plus Fund. We have an active interest in both of these funds. Each of these funds is a no-load, diversified, open-end series of the Williamsburg Investment Trust, a registered management investment company, commonly known as a mutual fund.

The investment objectives of the FBP Appreciation & Income Opportunities Fund are long term capital appreciation and current income, assuming a moderate level of investment risk.

The investment objective of the FBP Equity & Dividend Plus Fund is to provide above-average and growing income while also achieving long-term growth of capital.

These funds have retained us as investment adviser, and subject to the authorization of the Trust's Board of Trustees, we provide a continuous program of supervision for the funds' assets. Under our investment advisory agreements with these funds, we are entitled to compensation for our management services, based on each separate fund's daily average net assets at the following annual rates: .70% on the first \$250 million, .65% on the next \$250 million and .50% on assets over \$500 million.

Certain principals of our firm are officers of these funds and one principal is a trustee of the Williamsburg Investment Trust. Our retirement plans as well as our employees may be shareholders of these funds. We may recommend to current and prospective clients that they invest in these funds as an alternative to investing in an independently managed account.

Sponsored Programs

We participate in multiple programs sponsored by various companies (bank, broker, insurance or investment consultant) within the financial services industry. These programs are generally advisory, sub advisory or research provider in nature. Under these relationships, we provide investment management services to accounts of the sponsoring firms. We refer to these accounts generally as all-inclusive asset-based fee accounts. The sponsoring firms pay us a portion of the client fee for the investment management services we provide. Please refer to [Item 5](#) for additional information. These relationships may create a conflict of interest. Please refer to [Item 14](#) for additional information.

Additional Required Disclosures Not Applicable to our Firm

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

We do not recommend or select other investment advisers for our clients. We do not receive compensation either directly or indirectly from any advisers that would create a material conflict of interest. We have no other business relationships with any advisers that would create a material conflict of interest.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

We have a Code of Ethics (Code) that addresses the fiduciary obligations of our firm and employees. The Code establishes rules and standards of conduct designed to guide, direct and govern the professional activities of our employees. The Code sets forth standards that address employee professional conduct, personal investing and insider trading.

The Code prohibits an employee from serving on the board of a publicly held company without obtaining prior written authorization from designated supervisory personnel. We will grant authorization on determining that board service would be consistent with the interests of our clients.

The Code requires employees to certify that they have: (1) received, read and understood the Code; (2) recognized that they are subject to the Code; (3) complied with all the requirements of the Code; and (4) disclosed and reported all securities transactions required to be disclosed as specified in the Code.

All employees are required to report Code violations to the Chief Compliance Officer for appropriate remedial action. An employee who violates the Code may be reprimanded, fined, suspended and/or terminated.

Clients may receive a copy of our complete Code of Ethics at their request, by writing to us at the address shown on the [cover page](#) of Form ADV Part 2A (this document).

Participation or Interest in Client Transactions

Our employees and our mutual funds (FBP Appreciation & Income Opportunities Fund and the FBP Equity & Dividend Plus Fund) may at times have an interest or position in securities recommended to our advisory clients. Designated Supervisory Personnel monitor all employee personal trading relative to client trading to ensure that employees do not engage in improper transactions. We follow procedures highlighted below under “Personal Trading” to ensure that our employees act in our clients’ best interests.

Personal Trading

Our Code of Ethics establishes specific procedures employees must follow when engaging in personal investing activities. These procedures are designed to reduce the potential for conflicts of interest. The procedures specified in the Code include, but are not limited to, the following: (1) utilizing blackout periods; (2) requiring employees to obtain pre-execution authorization for transactions in initial public offerings, private placements, and non-exempt securities; and (3) requiring employees to report security transactions and holdings on a quarterly basis for review by designated supervisory personnel.

Additionally, our Code of Ethics requires all employees involved in the securities decision-making process for the firm to disclose the following prior to making recommendations:

- Any beneficial ownership of such security
- Any contemplated transactions of such security
- Any position held with issuer of such security
- Any present or proposed business relationship with issuer of such security

Prohibition on Use of Insider Information

We prohibit our employees from trading, either personally or on behalf of advisory clients, while in possession of material, nonpublic information. These policies and procedures relating to the use of “insider” information are included in our Code of Ethics, which is available upon request by writing to us at the address shown on the [cover page](#) of Form ADV Part 2A (this document).

Item 12. Brokerage Practices

Generally, we have discretion over the broker-dealers we use to place orders for the investments we select for client accounts. Clients may request that all or a portion of their transactions be directed to their designated broker-dealer. They may do this because of relationship reasons, a broker-dealer is acting as their qualified custodian, or an all-inclusive asset-based fee arrangement is in place or for other services they may receive. When an order is executed for a client's account, the account will pay a commission to the broker-dealer. In the case of an all-inclusive asset-based fee arrangement, no additional commission charge is incurred as the trading costs are included as part of the fee.

Where we have been given discretion in the selection of brokers-dealers, we determine the broker or brokers through whom and the commission rate at which securities transactions for clients' accounts will be executed. We maintain trading relationships with a limited list of broker-dealers for use in executing discretionary trades. That list is periodically reviewed for possible additions or deletions. In creating this list, we consider the full range and quality of a broker-dealer's services including, among other things, the value of research provided as well as execution capability, commission rates, financial integrity, reliability and responsiveness. This list will include firms capable of executing trades that would result in the best execution of a particular order at the time placed. Considerations in placing a particular order are:

- Trading liquidity
- Urgency in completing the order
- Broker activity or indicated interest
- Commission cost
- Value of research services provided

Our full securities and trading policy is available upon request by writing to us at the address shown on the [cover page](#) of Form ADV Part 2A (this document).

Our primary objective is to seek the best combination of price and execution for a particular transaction. In doing so, we may group or block various client orders to execute orders more efficiently and to receive reduced commission rates. Broker-dealers may execute block orders at various prices, and will price-average for allocation to client accounts. Where block orders are not executed in total, we attempt to allocate executed trades on a basis that will be fair to clients over time with procedures in place to prevent favoring any client or group of clients.

Research and Other Soft Dollar Benefits

When we use client brokerage commissions to obtain research or other products or services, we will receive a "soft dollar" benefit because we do not have to produce or pay for the products or services received. This may create an incentive to select or recommend a broker-dealer based on our interest in receiving this research or other product or service, rather than in the client's

interest in receiving the lowest possible cost. We are permitted by Section 28(e) of the 1934 Securities and Exchange Act to pay a commission in excess of the commission another broker might have charged if we determine that the commission is reasonable relative to brokerage and research services provided by the broker. We believe this is a benefit to a client, as the research we receive is useful in various ways to our investment decision process.

In selecting a broker-dealer to execute a transaction, we may consider as one factor the research services provided by the broker-dealer. Research services include both proprietary research as well as third party research. Proprietary research is information or products created or developed by the broker-dealer. Third party research is research that is created or developed by another party but offered through the broker-dealer.

Research services we receive include and/or allow:

- Written or oral company reports, industry reports, economic and political reports and developments, and market strategy
- Evaluation of performance in comparison with industry benchmarks and/or indexes
- Statistical, quote and security evaluation systems
- Any other research services within the meaning of Section 28(e) of the Securities and Exchange Act of 1934

Some of the research services furnished by brokers can be and are used in servicing all of our clients' accounts; however, not all those services are necessarily used for the direct benefit of the accounts that actually paid the commissions to the broker who provided the services. We do not attempt to direct a transaction in a particular account. Instead, we obtain research services from brokers that we believe are useful to a broad range of accounts, but may not be useful to every account in every case.

We will pay cash, in part, for any service that has a mixed use. A mixed-use service is one where part of the service is used for research and part is not related to the investment decision-making process. We will determine the percentage of the total cost to be paid in cash versus brokerage based on percentage use that is non-investment decision-related.

We also may engage in what are known as “step-out” transactions. A step-out transaction involves our placing a transaction with a particular broker-dealer with the instruction that they execute the transaction and pay, or “step out,” all or a portion of the commission in favor of another, different broker-dealer that is providing us with third-party research services or proprietary research, as well as in situations in which our clients have directed brokerage.

Directed Brokerage

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer; however, clients may direct us to place some or all of the transactions in their accounts with a particular broker-dealer. A client may do so for one or more reasons. They may use a broker-dealer to act as their qualified custodian, and/or they may receive various services or have other reasons not known to us.

In directed brokerage relationships, clients themselves normally negotiate the commission rate to be used. Any client should recognize that if they enter into a directed brokerage relationship, they may pay a higher brokerage commission or receive less favorable execution than might otherwise be possible. A client should also be aware of our inability to obtain volume discounts and/or best execution for directed brokerage accounts in some transactions, that disparities in commission charges for similar trades in various accounts may exist and that a potential conflict of interest may arise from referrals and directed brokerage practices. A client who designates use of a particular broker-dealer, including a client who requests the use of a broker-dealer that will also serve as that client's custodian (whether or not recommended by us) should consider several factors. The client must decide whether the services provided by the designated broker-dealer are comparable to those that would be obtainable through separate service providers, and if our firm had discretion with regard to brokerage services. Among the services a client must consider are:

- Commission expenses
- Execution capabilities
- Clearance capabilities
- Settlement capabilities
- Amount, if any, allocable to the custodian's fee
- Any other services provided

Allocation of Investment Opportunities and Orders

We do not enter block (grouped) orders simultaneously for all accounts. We base the timing of order entries upon our judgment of the optimal method to get the best execution for the order.

One way we ensure equitable treatment is through our trade rotation procedures. We typically rotate the order of execution of our discretionary and our directed brokerage accounts. As a research provider, we communicate changes to our program sponsors regarding our model portfolio on a separate rotation schedule. We require that all purchases and sales be approved by a principal of our firm, and that they be suitable investments within the context of a client's account, given their specific investment objectives and risk tolerance.

Other Brokerage or Trading Considerations

Our investment team is responsible for research and security selection for representative portfolios to be used as a guide for investing our clients' accounts. As a general matter, client accounts with similar objectives, risk tolerances and time horizons will be managed with similar portfolio structure. Client account holdings and transactions may differ, however, due to tax considerations, investment restrictions, cash flow considerations and our ability to complete security transactions on a timely basis for all accounts. Also, we may purchase a particular security for one or more accounts at the same time we are selling the same security in one or more other accounts. This could happen because of changing investment objectives, client direction, tax considerations or other circumstances. We also may purchase or sell the same securities or instruments for a number of client accounts simultaneously. Additionally, among all the accounts we manage, we may give advice and take action on any one or more of those accounts, which may differ from the advice given, or the timing or nature of the action taken, on one specific account. In all cases, we strive to manage each client account in a manner that over time is equitable to all clients.

Clients and potential clients often ask our assistance in selecting a custodian. We may suggest that clients use a bank, or a broker-dealer to act as a qualified custodian. Although we may help a client analyze which alternative would be suitable for their circumstances, it is ultimately the client's decision to select their custodian. Should a client select a broker-dealer, they need to be aware that the majority of trades will be executed with the broker-dealer. We may place trades away from the broker-dealer for best execution reasons and these trades may be subject to extra costs. Our firm may receive benefits and have possible conflicts of interest when a client chooses a broker-dealer custodian we suggest. We may receive access to institutional trading and operational services not typically available to retail investors. These services include technology that may facilitate trading, trade settlement, account reconciliation as well as other back-office functions. We may receive investment research as well as services such as compliance, legal and business consulting to help in the management of our firm.

Generally, our policy is not to engage in buying or selling securities from one managed account to another (typically referred to as a "cross trade"). We place the vast majority of trades for our client accounts through the open market.

Additional Required Disclosures Not Applicable to our Firm

We do not select or recommend broker-dealers for client referrals.

Item 13. Review of Accounts

Portfolio managers are responsible for the ongoing management and monitoring of their assigned accounts. A member of the Executive Committee reviews all firm trading daily and account performance monthly. Portfolio managers conduct quarterly peer reviews of account holdings and weightings to ensure portfolio uniformity and adherence to client objectives and guidelines.

We provide written portfolio reports consisting of a listing of holdings and transactions quarterly to clients that have portfolios independently managed by us. For accounts managed as part of a sponsored program, the sponsor provides portfolio reports in accordance with the written agreement between the sponsor and the client.

Item 14. Client Referrals and Other Compensation

Client referrals and other compensation arrangements we may enter into with employees or other parties do not affect the fees we charge for the management of client accounts.

We may enter into agreements with individuals and/or firms whose purpose is to solicit, acquire and retain clients on our behalf. We will compensate these individuals / firms under these arrangements. These arrangements would require the solicitor to comply in all respects with the disclosure mandate and other requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. We have no arrangements of this type at the present time.

We may make payments to firms within the financial services industry that use us as an investment adviser or include us on a list of available investment advisers. We also may make payments to firms that sponsor all-inclusive asset-based fee programs in which we participate. These payments may be for educational and/or training programs, sponsorship of consulting conferences and sometimes for meals and entertainment for registered representatives. These payments are recorded and are subject to our internal review and approval.

We may pay fees to consulting firms for their advice and services, including research, statistics and general services. General services include fees for attending conferences. These payments are recorded and are subject to our internal review and approval.

As manager of the FBP mutual funds, we may enter into arrangements with broker-dealers and with other financial institutions, including banks and insurance companies. We may compensate the organizations with which we have arrangements for the specific services they provide. These arrangements may include:

- Administrative services
- Shareholder sub-accounting services
- Sales- and marketing-related services and activities

We may make charitable contributions. We may also assist in sponsoring charitable events at others' requests, including the requests of individuals who may be affiliated with our clients. These payments may vary significantly one from the other, depending on the nature of our relationship with the individual who makes the request. These payments are recorded and are subject to our internal review and approval.

Our firm has incentive compensation plans for some of its employees. These plans are tied to new business and may lead to additional employee compensation.

Item 15. Custody

All of our clients' assets are held in custody by unaffiliated, qualified custodians. We are considered to have custody of client assets due only to the fact we directly debit our advisory fees from the majority of our clients' managed accounts. Custodians send statements directly to account owners periodically. These statements are the official record of the account. Clients should carefully review and compare these statements to reports provided by our firm.

Item 16. Investment Discretion

We have discretionary authority to select the securities, including the quantities, which are to be bought and sold, for most clients. This authority is provided in our agreement with each client. In many cases this discretion is subject to mutually agreed upon investment guidelines, which govern the client's account. Client investment guidelines may or may not limit potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. Generally, we will not accept an account that would significantly restrict our ability to manage it according to our investment philosophy and process.

To establish an independently managed account with our firm, we require that a prospective client sign an investment management agreement, provide us investment objectives and guidelines, and designate a qualified custodian. Additionally, if applicable, a client will authorize us to direct brokerage. We will deliver to the client Form ADV Parts 2A (firm brochure) and 2B (brochure supplement), a copy of our privacy policy and, if applicable, a copy of the *Characteristics and Risks of Standardized Options* booklet.

The procedures we follow before assuming discretionary authority to manage accounts in sponsored programs will vary, depending on the requirements of each program.

Item 17. Voting Client Securities

Our firm has a Proxy Policy committee, comprised of portfolio managers/analysts, whose responsibility is to monitor, review and revise the firm's proxy voting policies and procedures. This committee adopted and implemented policies that are designed to ensure that proxies are voted in the best interest of clients in accordance with our fiduciary duties.

Our client agreement gives us authority to vote proxies on behalf of the client. However, clients may choose to vote their own proxies or provide us with special instructions for voting proxies on their behalf by providing us written notice.

Proxy Policies

- General – We will generally vote with management on routine matters related to the operation of the company that are not expected to have a material impact on the company and/or shareholders. We will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure and/or operation of the issuer and to have a greater impact on the value of the investment.
- Corporate Governance – We generally approve director slates and auditors that are sufficiently independent of company management. We generally oppose proposals that unreasonably impair shareholder standing, such as cumulative voting, classified boards, preferred shares with reserved rights and poison pills.
- Compensation – We generally oppose management proposals for overly generous stock option plans and management and directors incentive plans.
- Social and Miscellaneous – We generally oppose shareholder resolutions on behalf of special interest groups. We intend that corporate managements appreciate the necessity of promoting corporate responsibility and accountability on social issues because it is generally in the best long-term interest of shareholders.

Procedures

We receive proxy materials and ballots at our offices, record and immediately distribute them to the appropriate member of our Investment Committee in charge of voting proxies for that particular company. That individual reviews the proxy material and makes a decision on each ballot item. While the final decision may be based, in part, upon the judgment of that individual, the decision is governed by our proxy voting policies as outlined above.

Conflict of Interest Policy

Our client agreement specifies that we have the authority to vote proxies on behalf of the client. If the client wishes, they may specify in writing their intent to vote their own proxies.

From time to time, issues come to a shareholder vote that may present a conflict of interest for us as investment adviser. We maintain a master list of all public companies where a conflict may potentially develop either because of a commercial relationship with that company, where a client is a party to a shareholder proposal or where one of our employees serves in a professional capacity (such as director) for that company. In any instance when a conflict of interest arises, our Executive Committee is notified of the circumstances. If a true conflict of interest exists, we will consult an independent third party under a special contractual arrangement. We will determine that the third party does not have a conflict of interest regarding the issuer in question. We will vote the proxy in accordance with the recommendation of that third party consultant. In an instance where an apparent conflict does exist and the shares represented are deemed immaterial, the proxy will be voted according to our de minimis policy guidelines without consulting an independent third party.

Any client may receive a report of how proxies have been voted on their behalf. A copy of our complete Proxy Policy may be requested by writing to the Chief Compliance Officer at the address shown on the [cover page](#) of Form ADV Part 2A (this document).

Item 18. Financial Information

The Securities and Exchange Commission (SEC) states that this section is for firms that require or solicit pre-payment of more than \$1,200 advisory fees per client, six months or more in advance. We have no such requirements; therefore, this does not apply to our firm.

We have never been the subject of a bankruptcy petition in the history of our firm.

Privacy Notice to Clients

When you employ Flippin, Bruce & Porter as your investment adviser, you entrust us not only with your assets, but also with your personal financial data. We consider all information to be private and confidential, and we will hold ourselves to the highest standard of trust and fiduciary duty in its safekeeping.

Protecting your privacy is important to us. We want our clients to understand what information we collect and how we use it.

We collect only information that is needed to serve you and administer our business.

In the process of serving you, we become stewards of certain “nonpublic personal information” – information about you that is not available publicly. The client information we collect and store generally consists of the following:

- Information you provide directly or indirectly to us on applications or other forms, correspondence or through conversations (such as your name, social security number, address, phone number, assets, income, date of birth, occupation, etc.).
- Information related to your transactions with us (such as your account numbers, account balances, transaction details and other financial information).
- Information we receive from third parties including your broker, consultant, custodian, financial planner or other intermediary retained by you (such as broker statements, custodial statements and trade confirmations).

We limit the collection and use of information about our clients to that which is necessary to administer our business and serve our clients.

We carefully limit and control the sharing of your information.

In order to protect client privacy, we carefully control the way in which any information about clients is shared. We do not disclose information about our clients or former clients to anyone, except as necessary in the management of your account and as permitted or required by law.

We are permitted by law to disclose some or all of the information we collect as described above to other advisers, custodians, brokers, administrators or any firms that assist us in maintaining and supporting the financial products and services provided to you. For example, custodians and brokers need information to process security transactions for your account.

We are committed to the privacy of your nonpublic personal information and will use strict security standards to safeguard it.

We are committed to the security of your nonpublic personal information. Our employees and others hired to work for us are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information. Employees are bound by this

privacy policy and are educated on implementing our security principles and practices. Our strict policies for protecting client information apply equally to current and former clients.

We have established physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information. Our operational and data processing systems are maintained in a secure environment that protects nonpublic personal information from being accessed inappropriately by third parties.

If you have any questions about the confidentiality of your information, contact the Chief Compliance Officer at (434) 845-4900.