



## **JANNEY MONTGOMERY SCOTT LLC**

### **Managed Account (Wrap Fee) Program Disclosure Brochure**

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**July 1, 2012**

**This wrap fee program brochure provides information about the qualifications and investment advisory business practices of Janney Montgomery Scott LLC. If you have any questions about the contents of this disclosure brochure, please contact our Wealth Management Department at (215) 665 - 6000. 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 Janney Montgomery Scott LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Material Changes**

This section identifies and discusses material changes to the Form ADV Part 2A, Appendix 1 Managed Account (Wrap Fee) Program Disclosure Brochure ("Wrap Fee Brochure") since the version of this Wrap Fee Brochure dated March 31, 2011, the date of the last annual update to the Wrap Fee Brochure.

***Minimum Annual Fee***

Janney has revised its fee schedule for certain managed account fee-based programs to include a minimum annual fee. The fee will be applied to accounts opened after January 1, 2012 in the ETF Advantage, Keystone, Russell, Compass, and Financial Institution Employee Discretionary programs.

***Alternative Focus Account Program***

Beginning July 1, 2012, Janney will offer the Alternative Focus Account Program, a wrap program designed to provide exposure to alternative investment strategies. Under the program, client assets are invested in mutual funds and exchange-traded funds utilizing strategies that are alternatives to traditional long only equity and fixed income strategies. These strategies typically have no or low correlation to the traditional strategies. The program is managed by Parker/Hunter Asset Management.

***Additional Information***

Clients should note the information provided above only discusses material changes made to the Wrap Fee Brochure since March 31, 2011. The Wrap Fee Brochure has been updated several times since March 31, 2011 to reflect certain non-material changes that are also reflected in this Wrap Fee Brochure dated March 31, 2012.

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**Item 4: Services, Fees, and Compensation**

Janney currently offers ten (10) fee-based advisory “wrap” programs that are broadly characterized as professional money management, asset allocation and internal money management services. Under each program, clients retain Janney to formulate an investment program within an agreed upon risk tolerance profile taking into account the client’s investment objectives. Each wrap fee program generally includes investment management, custody, reporting, performance monitoring and transaction execution services, although the services and fees vary under each program. The wrap fee programs offered by Janney, which are described in more detail below, include:

<b>Professional Money Management</b>	<b>Asset Allocation</b>	<b>Internal Money Management</b>
Adviser’s	Keystone	Partners Advisory
Adviser’s MSP	ETF Advantage	Compass
Classic	Russell	Parker/Hunter Asset Management
	Alternative Focus Account	

***With respect to each program, fees may be negotiated with the Janney Financial Advisor and may differ from the fee schedule outlined below based upon a number of factors, including, but not limited to, the size of the client’s account, the extent of services to be provided by Janney to the client’s account, and the projected nature of trading in the client’s account.***

***A client account may be subject to a minimum quarterly fee that will be set forth in the client’s investment agreement regardless of the value of the assets in the client’s account. Janney may waive its minimum fee at its discretion. The minimum fee is subject to change upon notice to the client.***

**Professional Money Management****Adviser’s**

Under the Adviser’s Program, Janney will recommend and engage an investment adviser whose stated investment philosophy and style, after consultation between Janney and the client, appears to accommodate the client’s investment objective and risk tolerance. Janney and the client develop the client’s risk tolerance through the Janney Risk Tolerance Questionnaire. The client is under no obligation to select or use any adviser recommended by Janney, but understands that once an adviser is selected by the client, the adviser must then agree to accept the management of the client’s account. The investment manager will manage the account on a discretionary basis under the investment strategy selected by the client. The selected adviser and Janney will be parties to a separate agreement regarding the services to be provided by Janney and the services and responsibilities of the adviser.

In the event that the Parker/Hunter Asset Management (“Parker/Hunter”) division of Janney is used, Janney or its affiliate will receive all advisory fees. Janney will not receive all advisory fees where a

third party investment adviser is used. Janney will request that the client contact their Janney Financial Advisor if the client's investment objectives or financial condition have changed.

Janney utilizes an extensive database, consisting of statistical data on over 2,000 managers nationwide as well as relying on third party information and internal data compiled through its own research on managers. Generally one, two, or three managers matching the client's investment objectives and risk tolerance are recommended.

Janney will execute the purchase or sale transactions for the client's account in accordance with the investment adviser's instructions and will provide custodial services at no additional charge upon client's request. On a quarterly basis, Janney will furnish the client with a portfolio review consisting of a statistical compilation of the client's account during the preceding period. The client will pay Janney a graduated fee based on the asset value of the client's account although the actual fee is subject to negotiation. The standard fee schedule is as follows:

**Asset Value of Client's Account    Annual Fee**

*(Minimum value of \$100,000)*

**Equity and Balanced Accounts**

On the 1 <sup>st</sup> \$500,000	3.00%
On the next \$500,000	2.50%
On the next \$1,000,000	2.00%
Assets over \$2,000,000	negotiable

**Fixed Income Accounts**

On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.50%
On the next \$1,000,000	1.00%
Assets over \$2,000,000	negotiable

Janney and the client may negotiate a fee structure which is less than the above table. Negotiated fees may differ based upon a number of factors, including, but not limited to, the size of the client's account, the historical or projected nature of trading for the client's account, and the extent of supplemental advisory and client-related services to be provided by Janney to the client's account. Additional Janney Adviser Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.

Janney calculates the fee at an annual rate based upon the value of the client's account as revalued quarterly. Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro-rata portion of the quarter for which no advisory services are to be provided.

Janney also offers the separate account management services of Riverfront Asset Management through a separate "turnkey" solution as part of this program.

***Adviser's MSP***

The Adviser's MSP program offers clients the ability to include several investment managers, mutual funds, and exchange traded funds ("ETFs") under different "sleeves" within the same Janney account. Clients may select from three options under the Adviser's MSP Program: (i) Fixed; (ii) Flex; or (iii) Open Architecture. The number of sleeves and their portfolio weightings are determined by Janney in the Fixed and Flex options and will typically depend upon the value of the account and the strategy selected. The client determines the number of sleeves and their weight within the account under the

Open Architecture option. Under the Fixed option, Janney will assist the client in selecting an investment strategy through use of the Janney Risk Tolerance Questionnaire. The client then grants Janney the discretionary authority to select investment manager strategies, mutual funds and ETFs under the preselected investment strategy. Janney will select the investment manager strategies, mutual funds and ETFs for the sleeves of the program option selected. Under the Flex option, Janney assists the client in selecting an investment strategy through use of the Janney Risk Tolerance Questionnaire. Janney will recommend investment manager strategies, mutual funds, and ETFs for each sleeve. The client then selects which investment manager strategies, mutual funds, and ETFs to utilize in each sleeve. Under the Open Architecture option, Janney will assist the client in selecting an investment strategy through use of the Janney Risk Tolerance Questionnaire. The client, with the advice of the Janney Financial Advisor, will then select the number of sleeves in the account, the percentage weighting of each sleeve, and the investment manager strategy, mutual fund, or ETF to populate the sleeves. Janney will provide transaction execution, custody, and periodic performance reporting

Janney will execute the purchase or sale transactions for the client's account in accordance with the investment adviser's instructions and will provide custodial services at no additional charge upon client's request. On a quarterly basis, Janney will furnish the client with a portfolio review consisting of a statistical compilation of the client's account during the preceding period. The client will pay Janney a graduated fee based on the asset value of the client's account although the actual fee is subject to negotiation. The standard fee schedule is as follows:

**Asset Value of Client's Account      Annual Fee**

*(Minimum value of \$150,000)*

**Equity and Balanced Accounts**

On the 1 <sup>st</sup> \$500,000	3.00%
On the next \$500,000	2.50%
On the next \$1,000,000	2.00%
Assets over \$2,000,000	negotiable

**Fixed Income Accounts**

On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.50%
On the next \$1,000,000	1.00%
Assets over \$2,000,000	negotiable

Janney and the client may negotiate a fee structure which is less than the above table. Negotiated fees may differ based upon a number of factors, including, but not limited to, the size of the client's account, the historical or projected nature of trading for the client's account, and the extent of supplemental advisory and client-related services to be provided by Janney to the client's account. Additional deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.

Janney calculates the fee at an annual rate based upon the value of the client's account as revalued quarterly. Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro-rata portion of the quarter for which no advisory services are to be provided.

***Classic***

The investment managers utilized under the Classic program are generally managers the client has selected prior to transferring his account to Janney and that meet certain minimum qualification requirements. If the client selects this program, the client is choosing the investment manager based on an independent review of the investment manager conducted by the client. Janney's review of such

investment managers is very limited when compared to the process for the Adviser's program. Janney does not recommend or select the investment manager and we assume no responsibility for the client's selection or termination of the investment manager or for the investment decisions, performance, compliance with applicable laws, or any other matters involving the investment manager. Janney does not provide investment advice regarding the securities or other investments made in client's account. Janney has the right to terminate any manager under the Classic program at Janney's sole discretion.

Janney will execute all purchase and sale transactions for the client's account in accordance with the investment manager's instructions. Janney will also provide custodial services at no additional charge upon the client's request.

On a quarterly or annual basis, Janney may furnish the client with performance reviews of client's account. Client may otherwise opt not to receive performance reviews generated by Janney. In instances where client receives performance reports generated by client's investment adviser, at client's request, Janney will not generate performance reports for the client. If the client elects to later receive Janney's performance reviews, such reviews will commence with the first full quarter after such election.

Account assets invested by advisers in shares of mutual funds, closed-end funds, exchange-traded funds, unit investment trusts or other investment companies will be included in calculating the value of the account for purposes of computing Janney's fees. In addition to account fees and expenses, client assets invested in funds will be subject to other fees and expenses that are described in the funds' prospectuses. These fees and expenses are initially paid by the funds, but are ultimately borne by the client as a fund shareholder. These expenses include dealer concessions and investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses related to investments in funds, including payments to Janney and its affiliates.

The client will pay Janney, as elected by the client, (i) a fee equal to the commission on transactions in securities in client's managed account, or (ii) a graduated fee (see schedule below) based on the asset value of the assets in client's account on the last business day of each calendar quarter. For accounts with a commission election, Janney's fee may be more or less than a fee elected during any given period depending on the amount of activity directed by the adviser. The Investment manager fee is not included in this fee schedule. The client will enter into a separate agreement with the investment manager that covers the investment managers services and the fees charged. Janney will not be a party to this separate agreement.

#### **Asset Value of Client's Account      Annual Fee**

*(Minimum value of \$100,000)*

##### **Equity and Balanced Accounts**

On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

##### **Fixed Income Accounts**

On the 1 <sup>st</sup> \$500,000	1.50%
On the next \$500,000	1.25%
On the next \$1,000,000	1.00%
Assets over \$2,000,000	negotiable

Janney and the client may negotiate a fee structure which is less than the above table. Negotiated fees may differ based upon a number of factors, including, but not limited to, the size of the

client's account, the historical or projected nature of trading for the client's account, and the extent of supplemental advisory and client-related services to be provided by Janney to the client's account.

Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro rata portion of the quarter for which no advisory services are to be provided. The agreement may be terminated at any time with no penalty or further obligation. Additional Janney Classic Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.

### **Asset Allocation**

#### **Keystone**

Under this program, the client authorizes Janney to provide investment advice and actively manage the client's portfolio as the investment manager. Janney will act with full investment discretion under this program. Client's account under this program will generally be invested in a portfolio of mutual funds, ETFs and exchange traded notes ("ETNs"). Janney may, in its sole discretion, invest in any other type of security in client's account. Parker/Hunter acts as the investment adviser to the "Keystone Program." The investments in the Client's account will be compatible with Client's stated investment objectives and risk tolerance, as provided by Client to Janney in the *Janney Wealth Management Risk Tolerance Questionnaire*. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

Janney maintains existing client relationships under the Keystone Account Program which are non-discretionary in nature. The non-discretionary Keystone Account Program is closed to new investors.

With the help of an investment representative of Janney, Keystone Clients complete an investment questionnaire designed to help them determine their investment objectives and risk tolerance for assets that they will invest in their Keystone Account. Based on this information, Janney will recommend investment in a model portfolio made up of funds, ETFs, and ETNs. The model portfolio is based on asset allocation recommendations, separately formulated by Janney based on its research that are historically compatible with the Keystone Client's stated investment objectives and risk tolerance. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

Periodically, Janney reviews and updates the composition of its recommended model portfolios and asset classes. This review may result in the addition and/or removal of funds, ETFs, or ETNs from the model portfolios as well as changes in asset allocation models and model portfolios. These changes may be based on shifting market conditions generally, changes in the relative risk adjusted performance rank or management of recommended funds and/or changes in the Client's investment objectives or risk tolerance.

At any time after a Client notifies Janney of a change in circumstances or investment profile information, Janney will provide a new recommendation based on such new information. A non-discretionary Client may, at any time, instruct Janney to allocate Client's assets among funds differently from the allocation most recently recommended by Janney.

Because such recommendations or client decisions to change portfolios may not be made in every case, and given the inherent long-term nature of mutual funds, a Keystone account may have little or no activity during a given period. Accordingly, over time the cost of a Keystone account may be greater than if mutual funds were purchased separately.

Janney will provide (i) trade confirmations, (ii) either monthly or quarterly brokerage account statements, depending on account activity, and (iii) quarterly annual performance reports. Clients may review these reports with their investment representatives.



Clients pay Janney a fee based on the value of assets invested in their Keystone account. The minimum initial investment is \$25,000. The standard fee schedule is set forth below. Negotiated fees may differ based upon a number of factors, including but not limited to the size of Client's account and the extent of supplemental advisory and client-related services that the Janney may provide to that client.

<b><u>Value of Keystone Account Assets</u></b>	<b><u>Annual Fee</u></b>
On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

The minimum annual fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

The fee is payable in advance on the first day of each calendar quarter, and is calculated at an annual rate based upon the net asset value of Fund shares on the valuation date. Additional deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit. The fee for any calendar quarter is not subject to adjustment based on performance of Account assets during the quarter. In the event that the Account is terminated for any reason, the Client will be entitled to a pro rata refund of the fees paid in advance.

In light of the services provided by Janney, the fees charged may exceed those of other broker-dealers or investment advisers. This fee may also be higher than if advisory and brokerage expenses were paid for separately.

In the event of termination of the Keystone Account, Janney will have no obligation to recommend or take any action with regard to the securities in the client's Janney Keystone Account.

Account assets invested in shares of mutual funds, exchange-traded funds, unit investment trusts or other investment companies will be included in calculating the value of the account for purposes of computing Janney's fees. In addition to account fees and expenses, client assets invested in funds will be subject to other fees and expenses that are described in the funds' prospectuses. These fees and expenses are initially paid by the funds, but are ultimately borne by the client as a fund shareholder. These expenses include dealer concessions and investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses related to investments in funds, including payments to Janney and its affiliates.

### ***ETF Advantage***

Under this program, the client authorizes Janney to provide investment advice and actively manage the client's portfolio as the investment manager. Janney will act with full investment discretion under this program. Client's account under this program will generally be invested in a portfolio of exchange traded securities, including but not limited to ETFs and exchange traded notes ("ETNs"). Janney may, in its sole discretion, invest in any other type of security in client's account. Parker/Hunter acts as the investment adviser to the "ETF Advantage Program." The investments in the Client's account will be compatible with Client's stated investment objectives and risk tolerance, as provided by Client to Janney in the *Janney Wealth Management Risk Tolerance Questionnaire*. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

A minimum of \$25,000 is required to establish an account in the "ETF Advantage Account" Program. All accounts in the "ETF Advantage Account" Program will be subject to the fee schedule below. Additional Janney ETF Advantage Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.

<b><u>Asset Value of Client's Account</u></b>	<b><u>Annual Fee</u></b>
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On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

The minimum annual fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

The fee schedule described above may be subject to negotiation, based upon a number of factors, including, but not limited to, the type and size of the account, the historical or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by the client or Janney for the pro-rata portion of the quarter for which no advisory services are to be provided. In the event of termination of the ETF Advantage Account, Janney will have no obligation to make any recommendation or to take any action with regard to the securities in the client's ETF Advantage Account, other than to dispose of such securities as instructed by the client.

#### ***Alternative Focus Account***

Under the Alternative Focus Account program, the client authorizes Janney to invest account assets on a fully discretionary basis in a portfolio of no-load and load-waived mutual funds, ETFs and ETNs with a focus on investment strategies that are alternatives to traditional long only equity and fixed income strategies. These strategies typically have no or a low correlation to the traditional strategies. Janney assists the client in developing a risk tolerance and investment objective by using the Janney Risk Tolerance Questionnaire. Janney will assist the client in determining if an alternative investment strategy is appropriate. Janney also provides transaction execution, custody, periodic performance reporting, and other services under this program. Janney may, in its sole discretion, invest in any other type of security in the client account. Parker/Hunter acts as the investment manager to the Alternative Focus Account program. We may use our discretion to periodically rebalance client accounts and to make changes in the securities in the account where appropriate. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

A minimum of \$25,000 is required to establish an account in the "Alternative Focus Account" Program. All accounts in the "Alternative Focus Account" Program will be subject to the fee schedule below. Additional Janney Alternative Focus Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.

<b><u>Asset Value of Client's Account</u></b>	<b><u>Annual Fee</u></b>
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On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

The minimum annual fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

The fee schedule described above may be subject to negotiation, based upon a number of factors, including, but not limited to, the type and size of the account, the historical or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by the client or Janney for the pro-rata portion of the quarter for which no advisory services are to be provided. In the event of termination of the Alternative Focus Account,

Janney will have no obligation to make any recommendation or to take any action with regard to the securities in the client's Alternative Focus Account, other than to dispose of such securities as instructed by the client.

### ***Russell***

Under the Russell Model Strategies program, the client authorizes Janney to provide investment advice and actively manage the client's portfolio as the investment manager. Janney will act with full investment discretion under this program. Client's account under this program will generally be invested in a suitable Russell model portfolio comprised of shares of no-load and load-waived Russell mutual funds. Janney may, in its sole discretion, invest in any other type of security in client's account. The investments in the Client's account will be compatible with Client's stated investment objectives and risk tolerance, as provided by Client to Janney in the *Janney Wealth Management Risk Tolerance Questionnaire*. Based on this information, Janney will recommend investment in Russell mutual fund shares that are selected from among a series of model portfolios and asset allocation recommendations, separately formulated by Russell Investments based on its research, that are historically compatible with the Janney Russell Client's stated investment objectives and risk tolerance. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

Janney executes trades in client accounts with the goal of maintaining the asset mix as set forth in the Russell model portfolio selected by the client. Russell model portfolios are managed by Russell Investments through the use of unaffiliated investment advisors. Periodically, Russell Investments reviews and updates the composition of its Funds, model portfolios and asset classes. This review may result in changes in the asset allocation of the model portfolios. Based on this review and update, Janney may rebalance or change the asset allocation of the client account in order to remain consistent with the asset allocation and composition of the Russell model portfolio. Portfolio changes may also be based on changing market conditions generally, changes in the relative risk adjusted performance rank or management of recommended Funds and/or changes in the Janney Russell Client's investment objectives or risk tolerance.

Because such changes in the composition of the Russell model portfolios may not be made frequently, and given the inherent long-term nature of mutual funds, a Janney Russell Model Strategies account may have little or no activity during a given period. Accordingly, over time the cost of a Janney Russell Model Strategies account may be greater than if mutual funds were purchased separately.

Janney will provide (i) trade confirmations, (ii) either monthly or quarterly brokerage account statements, depending on activity, and (iii) quarterly performance reports. Janney Russell Clients may review these reports with their investment representatives.

Janney Russell Clients pay Janney a fee based on the value of assets invested in their Janney Russell Model Strategies account. The minimum initial Janney Russell Model Strategies Account investment is \$25,000. The standard fee schedule is set forth below. Negotiated fees may differ based upon a number of factors, including but not limited to the size of the Client's Janney Russell Model Strategies account and the extent of supplemental advisory and client-related services that the Janney may provide to that client.

#### **Value of Janney Russell Account Assets    Annual Fee**

On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

The minimum annual fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

The fee is payable in advance on the first day of each calendar quarter, and is calculated at an annual rate based upon the net asset value of Fund shares on the valuation date. Additional Janney Russell Model Strategies Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit. The fee for any calendar quarter is not subject to adjustment based on performance of Janney Russell Model Strategies Account assets during the quarter. In the event that the Janney Keystone Account is terminated for any reason, the Janney Russell Client will be entitled to a pro rata refund of the fees paid in advance.

In light of the services provided by Janney, the fees charged may exceed those of other broker-dealers or investment advisers. This fee may also be higher than if advisory and brokerage expenses were paid for separately.

In the event of termination of the Russell Model Strategies Account, Janney will have no obligation to recommend or take any action with regard to the securities in the client's Janney Russell Model Strategies Account. Following termination, such client may continue to hold the securities remaining in the account at the time the Russell Model Strategies Account Agreement was terminated.

Account assets invested in shares of mutual funds, exchange-traded funds, unit investment trusts or other investment companies will be included in calculating the value of the account for purposes of computing Janney's fees. In addition to account fees and expenses, client assets invested in funds will be subject to other fees and expenses that are described in the funds' prospectuses. These fees and expenses are initially paid by the funds, but are ultimately borne by the client as a fund shareholder. These expenses include dealer concessions and investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses related to investments in funds, including payments to Janney and its affiliates.

### ***Saratoga Asset Allocation***

Janney also has a legacy asset allocation program that is not actively presented to clients and prospective clients. Under this asset allocation program, Janney will consult with its client to formulate investment objectives and criteria to establish an asset allocation among various mutual fund asset classes designed to achieve the client's stated objectives. Based on the responses given by the client on the Janney Risk Tolerance Questionnaire, Janney will develop an asset allocation strategy utilizing SHARP – Strategic Horizon Asset Reallocation Program ("SHARP"), a computer based asset allocation system developed by Saratoga Capital Management, as a tool in connection with its provision of the recommendation.

Janney will generally recommend an allocation among seven different portfolios contained within the Saratoga Advantage Trust (the "Trust"). Janney may, from time to time, recommend portfolios outside the Trust. The Trust's investment adviser, Saratoga Capital Management, is responsible for the development of SHARP. SHARP may be different from other Janney asset allocation models.

From time to time, Saratoga Capital Management may provide Janney with recommended changes in the allocation of program assets among the portfolios, based on revised information including but not limited to changes in market conditions. Janney may provide the client with its own recommended changes in the allocation of program assets among the portfolios; the client receives no recommendations directly from SHARP. All recommendations made to the client will be those of the Janney Financial Advisor, and Janney's recommendations may not be identical to those generated by SHARP. Janney will implement its recommended allocation change only if (a) the client has selected the Discretionary Management Option in which case the change will be effected without first consulting client, (b) the client has notified Janney that client accepts the recommended allocation change.

At any time after the client notifies Janney of a change in the client's circumstances or makes any change to the client's profile information, Janney will provide the client with a new recommendation, based on such new information. The client may, at any time, instruct Janney to allocate client's program assets among the portfolios differently from the allocation recommended most recently by Janney to

client; the client understands that any such instructions will cause the account to become a non-discretionary account.

Janney will furnish the client with an initial confirmation of client's investment in shares of the Trust's portfolios, and with quarterly reports as follows:

- (i) a statement reflecting confirmation of all securities transactions in the account and, unless the client has chosen the invoice payment option, indicating all fees for services under this agreement; and
- (ii) account and performance reports, prepared by the Trust or its service providers, which may contain a summary of the allocation of the program assets among the portfolios, a record of the performance of program assets in the Trust and rates of return as compared to appropriate market indices, and other information, including fee information, regarding the account.

The client will pay Janney a fee for services, based on the value of program assets. The standard fee schedule is set forth below. Negotiated fees may differ based upon a number of factors, including but not limited to the size of the client's account and the extent of supplemental advisory and client-related services that Janney may provide to the client.

<b><u>Asset Value of Client's Program Assets</u></b>	<b><u>Annual Fee</u></b>
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*(Minimum initial value \$25,000)*

\$ 25,000 - \$500,000	1.50%
\$ 500,001 - \$1,000,000	1.25%
\$1,000,001 - \$2,000,000	1.00%
\$2,000,001 and over	Negotiable

The fee will be payable in advance on the first day of each calendar quarter, and will be calculated at an annual rate based upon the value of the program assets on the last business day of the preceding calendar quarter. The fee for any calendar quarter will not be subject to adjustment based on performance of program assets during the quarter. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro rata portion of the quarter for which no advisory services are to be provided.

In the event of termination of this agreement in any manner, Janney will have no independent obligation to recommend or take any action with regard to the securities, cash or other investments in the account, and Janney will be under no obligation to liquidate any securities owned by the client.

### **Internal Portfolio Management**

#### ***Partners Advisory***

In the Partners Advisory Program, a client retains Janney to provide certain non-discretionary advisory services. A Janney Financial Advisor will provide investment recommendations to Client with respect to the investment of the securities and cash in Client's Account. Such recommendations will be compatible with Client's stated investment objectives and risk tolerance, as provided by Client to Janney in the *Janney Wealth Management Risk Tolerance Questionnaire*. Client will decide whether to implement any or all such recommendations provided by the Janney Financial Advisor in Client's own discretion. Investments are made only on Client's instruction. Janney does not have investment discretion under the Partners Advisory Program.

In very limited circumstances, the Partners Advisory Program may be offered to accounts not custodied at Janney. Those clients will not receive performance reporting services.

The client will pay an asset-based fee to Janney that covers investment recommendations for the account, quarterly performance reporting, and transaction charges. Certain transaction charges, discussed in this section below, may be incurred when trades are executed in Client's account on a principal basis. Janney will provide the client with a quarterly portfolio performance review which will consist of a statistical analysis of the portfolio for the preceding period. Janney may also offer these services on a non-wrap basis where the client pays a fee for investment advisory services only and also pays for transaction costs related to such investments.

Investment objectives for clients are developed through the completion of a client questionnaire or through discussions between the client and Janney's Financial Advisors, in which the client details income requirements, risk tolerance, return objectives and other pertinent criteria such as quality of issues, types of investments (equity, debt, municipals, closed-end mutual funds) and any restrictions on purchases or sales. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

The investment decisions implemented under the Partners Advisory Program may not be consistent with Janney's Research Department or decisions recommended or implemented in other Janney Consulting Group programs.

The fee schedule for the Partners Advisory Program is as follows:

<b><u>Value of Partners Advisory Account Assets</u></b>	<b><u>Annual Fee</u></b>
On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.75%
On the next \$1,000,000	1.50%
Assets over \$2,000,000	negotiable

The annual minimum fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

The minimum account value for the Partners Advisory Program is \$25,000. Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro rata portion of the quarter for which no advisory services are to be provided.

Clients may aggregate accounts for billing purposes in order to obtain a billing breakpoint by householding accounts. Householding may occur for accounts with the same address of record and where accounts are owned and/or controlled by members of the household. Additional account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit. If the client has chosen asset-based billing, the fee will be assessed on new deposits based on the asset class at the time of deposit.

The Partners Advisory program has certain investment restrictions and parameters that may limit the client's investment choices. The Partners Advisory Account restricts purchases of, among other things, securities priced under \$2.00, initial public offerings, and class B and C shares of mutual funds. The Partners Advisory Account is not intended or designed for day trading, trading mutual funds based on market timing, or other excessive trading.

In light of the services provided by Janney, the fees charged may exceed those of other broker-dealers or investment advisers. This fee may also be higher than if advisory and brokerage expenses were paid for separately. The fee schedule described above may be subject to negotiation, based upon a number of factors, including, but not limited to, the type and size of the account, the number of househanded Partners Advisory accounts, and the number and range of supplemental advisory and client-related services to be provided to the account. Moreover, fees may vary as a result of the application of prior fee schedules depending upon client account inception date.

Janney may execute trades on a principal basis in Client's Partners Advisory account under certain circumstances. A principal trade occurs when Janney purchases (or sells) a security directly from (or to) Client's account from Janney's inventory rather than a third party. In order to facilitate principal trades in Client's account, Janney will: (1) provide Client with information about principal trades and obtain Client's prior written consent; (2) verbally confirm, at the time of each transaction, that the trade may be done on a principal basis; (3) disclose on trade confirmations for each principal trade that Janney acted as principal in connection with the transaction; (4) send Client an annual report detailing each principal trade in Client's account over the previous year; (5) continue to subject all transactions to Janney's duty of best execution and fiduciary responsibility; and (6) comply with Client's request for additional information at any time about principal trades. Client may revoke the authorization for Janney to engage in principal trades at any time by providing written notice to Janney.

Janney may have a conflict of interest in executing trades on a principal basis for client accounts. Janney has an interest in receiving a spread (the difference between the price Janney buys the security and the price at which Janney sells the security to the Client account). Janney may also receive other compensation by selling from its inventory to a Client account. For example, Janney may be compensated as an underwriter for selling securities on behalf of an issuer. Clients will pay the public offering price for securities purchased from Janney where Janney acts as an underwriter or dealer. Janney may pay a portion of compensation received from such a transaction to the Client's Janney Financial Advisor.

Where a commission, concession, or mark-up is received by the Janney Financial Advisor when engaging in a principal trade under the Partners Advisory Program, the security purchased on a principal basis will be made a non-billable asset for a period of one year from the date of purchase. The commission, concession, or mark-up may be greater or less than the asset-based fee the Janney Financial Advisory would otherwise receive.

### **Compass**

Under the Compass Program, the client authorizes Janney to provide investment advice and actively manage the client's portfolio as the investment manager. A qualified Janney Financial Advisor will manage the client's account, after consultation with the client, in a manner consistent with the client's investment objectives. Janney will have full discretion to execute the recommended securities transactions on the client's behalf. In other words, a Janney Financial Advisor, and not the client, has the discretion to decide what securities to buy and sell in client accounts. Janney intends to use itself as the broker-dealer unless it determines that a particular transaction requires another broker or dealer. Janney Financial Advisors must meet minimum qualifications for experience, education/training background, and assets under management in order to qualify to manage accounts under the Compass Program, and generally must also complete a special training course specific to the Compass Program.

Each Janney Financial Advisor may develop specific investment strategies that may include investing in multiple or single asset classes, model portfolios or some other distinct investment strategy. Other Financial Advisors may take a more customized approach to management of client accounts. A Janney Financial Advisor is primarily responsible for making and implementing investment management decisions for a Client account within the Compass Program's investment guidelines. The guidelines specify the number and types of securities eligible for investment in a Compass Program account (including percentage limitations on account holdings in certain types of investments). The guidelines also specify diversification requirements (across issuers, industry sectors and asset classes). At the Janney Wealth Management Group's discretion, certain Financial Advisors have greater latitude in selecting securities and diversification. Therefore, the availability of investment strategies and securities and the applicability of investment limitations vary depending on a Client's particular Janney Financial Advisor. The Compass Program's guidelines are subject to change without notice.

Depending on the investment strategy the Financial Advisor uses, investments may include equity and fixed income securities, eligible closed-end funds, mutual funds, alternative investments (where appropriate) and ETFs. All or a portion of a client's account may be held in cash or cash

equivalents, including securities issued by money market mutual funds or deposited in interest-bearing bank accounts. Where approved, Financial Advisors may use certain option strategies, such as covered call writing and purchasing protective puts.

A Financial Advisor may make investment decisions that are contrary to research ratings issued by Janney's Research Group or that may differ from other Financial Advisors, Parker/Hunter or model allocations provided by the Consulting Group.

Clients should discuss with their respective Financial Advisor which investment strategy suits their investment goals. A Janney Financial Advisor can also provide more detailed information regarding the Compass Program.

The client will pay an asset-based fee to Janney which will cover consulting services, management of the account, transaction execution, custody, periodic performance reporting, and other services under the program. On a quarterly basis, Janney will provide, directly to the client, a performance portfolio review consisting of a statistical compilation of the account during the preceding period. Janney offers to certain clients who previously were serviced as discretionary brokerage clients the option to pay all related brokerage commissions and fees instead of being billed under the fee schedule described herein. Commission rates under this program are negotiable with the Financial Advisor and a commission rate discount may be indicated on the client agreement.

Investment objectives for clients are developed through the completion of a client questionnaire or through discussions between the client and Janney's Financial Advisors in which the client details income requirements, risk tolerance, return objectives and other pertinent criteria such as quality of issues, types of investments (equity, debt, municipals, closed-end mutual funds) and any restrictions on purchases or sales. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

There are certain investment restrictions and parameters in the Compass Program which may limit the client's investment options covered under the fee. Janney, in its opinion, has developed these parameters in order to limit the risk to the client. The investment decisions implemented under the "Compass" Program may not be consistent with Janney's general securities recommendations.

The Compass Program fee schedule is as follows:

<b><u>Value of Account Assets</u></b>	<b><u>Annual Fee</u></b>
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*(Minimum value of \$50,000)*

On the 1 <sup>st</sup> \$500,000	3.00%
On the next \$500,000	2.50%
On the next \$1,000,000	2.00%
Assets over \$2,000,000	negotiable

The minimum annual fee payable is \$500. The minimum annual fee may be applied pro-rata during each calendar quarter.

Clients under the Compass program may select to pay commissions on trades instead of an asset-based fee. The minimum fee requirement does not apply to Compass program accounts that select to pay commission on trades in lieu of an asset-based fee.

Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro rata portion of the quarter for which no advisory services are to be provided. Additional Janney Compass Account deposits with a value in excess of \$15,000 will be charged an additional fee for the partial calendar quarter, beginning on the date of the deposit.



In light of the services provided by Janney, the fees charged may exceed those of other broker-dealers or investment advisers. This fee may also be higher than if advisory and brokerage expenses were paid for separately. The fee schedule described above may be subject to negotiation, based upon a number of factors, including, but not limited to, the type and size of the account, the historical or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Moreover, fees may vary as a result of the application of prior fee schedules depending upon client account inception date.

The Janney Financial Advisor recommending the "Compass" Program to the client receives compensation as a result of the client's participation in the program. The amount of this compensation may be more than what the person would receive if the client participated in other programs offered by Janney. The Financial Advisor may have a financial incentive to recommend a fee option over other payment options.

### ***Discretionary Program***

Accounts formerly opened under the Discretionary Account Program are now serviced under the Compass Program. The Discretionary Account Program is no longer accepting new accounts.

A client retained Janney to provide certain advisory, brokerage, execution and other non-advisory services. Clients engaged Janney to manage portfolios with investment objectives and limitations that are agreed upon following consultation between the client and a qualified Janney Financial Advisor. Janney has full discretion to execute the recommended securities transactions on the client's behalf.

Janney Financial Advisor qualifications include successful completion of the Series 65 uniform investment adviser program and sufficient experience as determined by Janney.

The investment decisions implemented under the Discretionary Account Program may not be consistent with Janney's general securities recommendations.

The Discretionary Account Program fee schedule is as follows:

<b><u>Asset Value Account</u></b>	<b><u>Annual Fee</u></b>
\$100,000-\$500,000	2.50%
\$500,001-\$750,000	2.00% of the amount over \$500,000
\$750,001-\$1,000,000	1.50% of the amount over \$750,000
\$1,000,001 and over	1.00% of the amount over \$1,000,000

Fees are payable quarterly in advance. Fees will be refunded if the account is terminated in writing by Janney or the client for the pro rata portion of the quarter for which no advisory services are to be provided.

### ***Financial Institution Employee Discretionary Program***

Certain clients may require their account serviced on a discretionary basis due to requirements of the client's employer. Such clients may be serviced under the Financial Institution Employee Discretionary (FIED) Account Program. The FIED Program recognizes that certain clients are required to have their accounts handled on a discretionary basis. This Program is available only to those clients under such a restriction. A client may retain Janney to provide certain advisory, brokerage, execution and certain non-advisory services. Janney will manage the client's account, after consultation with the client, in a manner consistent with the investment objectives. Janney will have full discretion to execute the recommended securities transactions on the client's behalf. Janney intends to use itself as the broker-dealer unless it determines that a particular transaction requires another broker or dealer. Financial Advisor qualifications will include a minimum of two years of experience as a registered representative and will have obtained a state investment adviser representative registration (via passing the Series 65

(Uniform Investment Adviser Examination) or Series 66 (Uniform Combined State Law Exam) or grant of a waiver).

On a quarterly basis, Janney will provide, directly to the client, a performance portfolio review consisting of a statistical compilation of the account during the preceding period.

Investment objectives for clients are developed through the completion of a client questionnaire and through discussions between the client and Janney's Financial Advisors in which the client details income requirements, risk tolerance, return objectives and other pertinent criteria such as quality of issues, types of investments (equity, debt, municipals, closed-end mutual funds) and any restrictions on purchases or sales. Janney will request that the client contact their Janney Financial Advisor if the client's objectives or financial condition have changed.

The investment decisions implemented under the FIED Program may not be consistent with Janney's general securities recommendations.

The FIED Program will have certain investment restrictions and parameters which may limit the client's investment options. Janney, in its opinion, has developed these parameters in order to limit the risk to the client.

The client will have the option of paying standard commission rates or a single fee. The single fee covers consulting services, management of the account and all brokerage expenses. Commission rates under this program are negotiable with the Financial Advisor and a commission rate discount may be indicated on the client agreement. The FIED Program fee schedule is as follows:

<b><u>Value of Account Assets</u></b>	<b><u>Annual Fee</u></b>
On the 1st \$500,000	3.00%
On the next \$500,000	2.50%
On the next \$1,000,000	2.00%
Assets over \$2,000,000	negotiable

Where the client selects the fee option, the minimum annual fee payable is \$250. The minimum annual fee may be applied pro-rata during each calendar quarter.

Clients under the FIED program may select to pay commissions on trades instead of an asset-based fee. The minimum fee requirement does not apply to FIED program accounts that select to pay commission on trades in lieu of an asset-based fee.

In light of the services provided by Janney, the fees charged may exceed those of other broker-dealers or investment advisers. This fee may also be higher than if advisory and brokerage expenses were paid for separately. The fee schedule described above may be subject to negotiation, based upon a number of factors, including, but not limited to, the type and size of the account, the historical or expected size or number of trades for the account, and the number and range of supplemental advisory and client-related services to be provided to the account. Moreover, fees may vary as a result of the application of prior fee schedules depending upon client account inception date.

### **Parker / Hunter Asset Management**

#### **Asset Management Services**

Janney provides individualized and continuous investment advice and portfolio management services to individual and institutional clients through its Parker/Hunter Asset Management division. Through a discovery process with the client, during which financial goals and investment objectives are established based upon a client's particular circumstances, Parker/Hunter crafts a personalized investment policy, then designs and implements a portfolio based on that policy. Ongoing portfolio

management and strategy will be guided by the stated objectives of the client. Parker/Hunter Asset Management offers advice on a discretionary and non-discretionary basis to individuals, pension and profit sharing plans, legal accounts, eleemosynary and religious organizations, and corporations.

Asset Management Clients meet with their Janney Financial Advisor to establish an investment program based on the client's financial needs, objectives and risk tolerance. After the program is established, a written Investment Policy is prepared. Parker/Hunter's Portfolio Managers then are responsible for implementing the investment strategy by making individual buy and sell transactions within the framework of the client's Investment Policy.

Investment portfolios are managed employing equity-only, balanced and fixed income-only strategies. Typically, individual securities, ETFs, ETNs and mutual funds are used to execute the strategies. When appropriate to the needs of the client, Parker/Hunter may recommend the use of short-term trading (securities sold within 30 days), short sales, margin transactions or options writing. Because these investment strategies involve certain degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

In addition to the asset allocation strategies discussed above, Parker/Hunter offers the Dynamic Asset Strategy and Dynamic Income Strategy (collectively, the "Dynamic Strategies"). Under these strategies, asset allocation is determined by Parker/Hunter's assessment of an asset class's comparative attractiveness given current and expected market conditions. The Dynamic Strategies seek competitive total returns compared to the overall capital markets and do not have a predetermined asset class mix. Accounts invested in the Dynamic Strategies may be invested actively across asset classes but may also be concentrated in specific asset classes that Parker/Hunter believes offers the best opportunity for capital growth. Such flexibility in portfolio construction has the risk of exposing client accounts to decreases in value due to concentration in certain securities or asset classes.

#### Asset Management Fees

The fee for the discretionary investment advisory service provided directly to clients by Parker/Hunter Asset Management is based upon a percentage of assets under management. Fees are generally charged quarterly based upon the value of the assets under management on the last day of the preceding quarter and can be negotiated. All fees paid to Parker/Hunter for investment advisory services are separate and distinct from the fees and expenses imbedded in the exchange traded funds, closed-end or open-end mutual funds that may be included in the portfolio. These fees and expenses are described in each fund's prospectus.

#### **Asset Value of Client's Account    Annual Fee**

*(Minimum value of \$100,000)*

#### Equity and Balanced Accounts

On the 1 <sup>st</sup> \$500,000	3.00%
On the next \$500,000	2.50%
On the next \$1,000,000	2.00%
Assets over \$2,000,000	negotiable

#### Fixed Income Accounts

On the 1 <sup>st</sup> \$500,000	2.00%
On the next \$500,000	1.50%
On the next \$1,000,000	1.00%
Assets over \$2,000,000	negotiable

Clients enter into a written advisory agreement with Parker/Hunter Asset Management prior to establishing an investment advisory relationship. Such agreement may be terminated by either party at any time upon written notice to the other party. Any fees paid in advance of the effectiveness of a termination will be refunded pro-rata to the date of termination.

Parker/Hunter Asset Management reserves the right to decline accounts submitted for investment management services for any reason.

Parker/Hunter Asset Management also offers cash management to corporations or institutions. The portfolio's return will be derived from interest and dividend income generated by high quality fixed income securities. Normally, the portfolio will be structured with a short average duration with the primary objectives being capital preservation and liquidity. Cash management services include rendering advice with respect to the investment of a corporate client's cash in interest-bearing accounts, cash equivalent investment instruments, municipal securities, corporate bonds, US government obligations and other liquid investments. In rendering such advice, Parker/Hunter Asset Management speaks with issuers, underwriters and broker/dealers about investments, evaluating appropriate securities and purchasing such securities for and on behalf of its corporate clients. In addition to evaluating possible investments sold through other broker-dealers, Parker/Hunter Asset Management itself may sell investments to cash management clients.

All fees paid to Parker/Hunter for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, or other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Parker/Hunter. In that case, the client would not receive the services provided by Parker/Hunter which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

The advisory fees for all Parker/Hunter programs are an annual fee and are billed on a quarterly basis in advance based on the account asset value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance) on the last business day of the calendar quarter. Certain existing clients may be billed on a quarterly basis in arrears. These fees may be negotiable in certain circumstances.

#### **Additional Wrap Program Disclosure**

Unless otherwise stated, the below disclosures apply to all of the above wrap programs.

The program selected may cost more or less than purchasing the services separately. The factors that could influence the cost include the size of the client account, the frequency of trading, the type of securities traded, and the potential commissions generated.

With respect to the Partners Advisory Program, clients may hold certain assets or securities in those accounts as "non-billable". The advisory fee for these accounts do not cover commissions, transaction fees and other charges associated with transactions in "non-billable" assets held in the client's Partners Advisory account or with securities or other property held by the client outside of the Partners Advisory account. A client will pay all of Janney's usual and customary commissions, transaction fees and other charges as in effect with respect to such transactions.

In addition to the investment advisory fees, a client may also incur other charges with respect to its advisory account including, for example, (i) transaction charges resulting from trades effected through or with a broker-dealer other than Janney in wrap program accounts, (ii) any dealer-markups and odd lot differentials; (iii) transfer taxes; Section 31 fees imposed by the Securities Exchange Act of 1934, as amended ("Exchange Act"), on securities exchanges and self-regulatory organizations (or other SEC fees, as applicable), which are paid by broker-dealers such as Janney, and which Janney in turn elects to

pass on to its customers; and any other charges imposed by law with regard to any account transactions; (iv) margin interest and operational fees and charges; (v) offering discounts, and commissions and related fees in connection with underwritten public offerings of securities; (vi) IRA fees; (vii) any redemption fees, exchange fees, or similar fee imposed in connection with any fund transaction; and (viii) per trade transaction charges as described in the applicable investment advisory agreement.

New deposits in excess of \$15,000 placed in a client's account during any period is subject to the fee schedule and applied *pro rata* for the remainder of the quarter.

Depending upon the investment advisory program that the client selects, clients may use margin (borrowing money to buy securities). Any margin fees incurred will be in addition to investment advisory fees charged to the client. Where margin credit is extended to the client, Janney receives additional compensation in connection with the margin account balance. While the Janney Financial Advisor generally does not receive compensation from margin interest charged, any margin balance is included in the calculation of the advisory fee. Therefore, a potential for conflict may exist between the client's interest and the interests of Janney Financial Advisors when purchasing securities on margin. Janney has procedures in place to ensure that any recommendation to incur a margin balance with respect to an investment advisory program by Financial Advisor is in the best interest of clients.

Investment advisory accounts may include shares of mutual funds (including money market funds), closed-end funds, exchange-traded funds, unit investment trusts, hedge funds, private investment partnerships or other investment companies or investment pools (collectively, "funds"). The value of these assets is considered when calculating the applicable account fees. In addition to account fees and expenses, Client assets invested in funds are subject to other fees and expenses as described in the funds' prospectuses or offering document, including the management fee and other fees and charges payable by the fund. As a result, clients are bearing indirectly a portion of any investment management and other fees (such as dealer concessions, administration, custody, transfer agency, legal, audit, transaction-related and distribution) paid by a fund in addition to any account fees. These may also include payments to Janney and its affiliates.

In addition, certain funds in which client assets are invested in trade securities through our firm's institutional brokerage group, including both fixed and equities securities. As a result, the firm receives a benefit from such trades in either the commission paid for agency trades or the mark-up for principal trades. The firm's policy is to not recommend or use discretion to place investment advisory client assets in these funds simply because the managers for such funds may execute trades through Janney. In addition, fund typically have their own policies prohibiting the fund's manager from executing trades with a brokerage firm based on the amount of assets that firm's clients have invested in such fund.

Under the Partners Advisory Program, Janney Financial Advisors may receive transaction-based compensation when the client engages in certain types of principal trades. A principal trade occurs when the client sells a security to or buys a security from Janney. This practice presents a conflict of interest because the Janney Financial Advisor has an incentive to recommend a principal trade based on the transaction-based compensation, not the client's needs. Principal trades that generally present this conflict occur when Janney acts as a member of an underwriting syndicate. The client pays the public offering price from the underwriter, which can include compensation for the Janney Financial Advisor. Janney addresses this conflict in several ways. Where this price includes compensation for the Janney Financial Advisor, Janney marks the security as a non-billable asset for a period of one year from the purchase date. Janney requires one-time written authorization from the client to enter into principal trades. This written disclosure, typically in the client agreement, discloses the practice described above. Clients have the option of purchasing investment products recommended by Janney through other brokers that are not affiliated with Janney.

The Janney Financial Advisor recommending one of the wrap fee programs described in this brochure will receive compensation as a result of the client's participation in the program. The amount of this compensation may be more or less than what the Financial Advisor would receive depending upon which program the client chooses or if the client paid separately for investment advice, brokerage, and

other services. The Financial Advisor may have an incentive to recommend a wrap fee program over other programs or services offered by Janney.

Janney may pay, out of its own resources, third parties for quantitative or fundamental research and other information that may be used in managing client accounts. There should be no increased costs to clients in connection with such payments.

Clients are responsible for all tax liabilities arising from account transactions, including transactions resulting from client instructions regarding rebalancing, automatic withdrawal or automatic contribution instructions. Clients who are not residents of the United States may experience additional adverse tax consequences. Additionally, upon account opening, Janney may recommend that client sell, exchange, or redeem securities either initially or during the course of management of the client account. Client will be responsible for any tax or other liability resulting from the sale of such securities. Janney does not provide tax, accounting or legal advice. Clients should seek the advice of their own tax advisor regarding the tax implications of investing in any of the programs described in this brochure.

#### **Item 5: Account Requirements and Types of Clients**

Janney offers investment advisory services to a broad range of individual and institutional clients including, but not limited to, individuals, families, trusts, estates, corporate and non-corporate entities, retirement plans, pension plans, profit-sharing plans, and government entities. The wrap fee programs may have minimum investment requirements.

Janney requires a minimum investment of \$25,000 to participate in the following programs: Partners Advisory, ETF Advantage, Keystone, Alternative Focus Account, and Russell Strategies.

Janney requires a minimum \$50,000 investment to participate in the Compass program.

Janney requires a minimum \$100,000 investment to participate in the Adviser's, Classic, Riverfront, and Parker/Hunter programs. Clients investing under the Classic program will be additionally subject to the account investment minimum of the third party investment manager. Clients investing under the Classic program must sign a separate investment management agreement with a third party investment manager.

Janney requires a minimum \$150,000 investment to participate in the Adviser's MSP program.

Janney does not require a minimum investment for the Financial Institution Employee Discretion program. Clients under this program must be employed by a financial services firm that requires handling of its employees' accounts on a discretionary basis.

#### **Item 6: Portfolio Manager Selection and Evaluation**

##### *Selection Process for Third Party Investment Managers*

Janney maintains an investment committee that monitors and recommends investment managers. The committee consists of senior Janney Wealth Management professionals. The committee reviews and votes on additions, deletions, or changes to the Janney Highlighted List of managers. Janney's process for selecting and monitoring separate account products consists of four (4) steps: (1) Screening; (2) Quantitative Analysis; (3) Qualitative Review; and (4) Ongoing Review. During the Screening stage, Janney screens over 6,000 managed account strategies. Generally, in order to be considered for a Janney wrap program, the firm should have:

- \$250 million or more in assets under management; and
- at least three (3) established investment professionals.

In most cases, managers will have a five (5) year track record demonstrating consistency of style, philosophy, process, and risk-adjusted returns.

In the Quantitative Analysis stage, the firm compares a manager's performance against the appropriate investment benchmark and peer universe. In the Qualitative Review stage, a firm's attributes such as size, assets under management, and service capabilities are analyzed. The professional background of those making investment decisions is examined. The underlying investment philosophy must be understandable in its statement of the manager's long term investment goals. Janney performs due diligence on managers on an ongoing basis.

Portfolio performance is calculated using a time-weighted methodology. This calculation method eliminates the distortion caused by the size and timing of deposits and withdrawals. The result is a return that reflects only the effect of the market conditions and investment decisions. Another benefit of this return calculation is comparability. The time-weighted return allows for a consistent comparison of the portfolio return to market indices. Portfolio returns are calculated after the deduction of program fees (net).

The investment manager selection process described above does not apply to the Classic program.

#### *Selection Process for Mutual Funds and ETFs*

In selecting mutual funds and ETFs under the Keystone and ETF Advantage Programs, Parker/Hunter adheres to a conservative, value-oriented investment philosophy. An investment committee, comprised of at least four investment professionals, meets two or more times a week. Investment ideas are generated both in-house and using Janney and third party research. Quantitative and qualitative analysis is used to evaluate securities. To reduce risk, portfolios are diversified. Given that ETFs and mutual funds are comprised of a basket of securities, they are inherently diversified. Diversification may occur within the equity market by sector, capitalization, and geography. Within the fixed income market, Parker/Hunter recognizes fixed income is not a riskless asset class. Diversification may occur by issuer, maturity, and sector. Certain components may be overweighted or underweighted based on the current economic environment. The mutual fund selection process described above does not apply to non-discretionary accounts serviced under the Keystone program.

#### *When Janney Financial Advisors Act as Portfolio Managers*

Janney Financial Advisors act as portfolio manager under the Compass Program and the Financial Institution Employee Discretionary Programs. Under these programs, the client grants the Janney Financial Advisor the authority to invest account assets on a discretionary basis, without obtaining client consent prior to entering a trade for the client account. A conflict of interest exists for the Janney Financial Advisor to recommend one of these programs because the fees paid to both Janney and the Financial Advisor may be higher than other Janney "wrap" programs. Janney addresses this conflict by fully disclosing the fee schedule for its "wrap" programs. Janney's investment advisory agreements each list the fee schedule covered.

Janney Financial Advisors who manage portfolios under the Compass Program and the Financial Institution Employee Discretionary Program are not subject to the more stringent investment manager selection process as described in relation to the Adviser's Program. Janney Financial Advisors must meet certain criteria to manage client portfolios under the Compass Program. A committee within the Wealth Management group reviews each financial advisors application in light of the criteria and determines whether a financial advisor should be approved to participate in the Compass program. These criteria include: (1) a minimum level of securities industry experience; (2) successful completion of the Series 65 examination; (3) completion of an appropriate investment management course and/or receipt of certain designations (including CFA, CFP, and AWMA); and (4) no significant disciplinary matters.

### *Other Investment Advisory Services*

In addition to the fee-based advisory wrap fee programs described above, Janney offers the following investment advisory services primarily through its Wealth Management Department: (1) traditional discretionary investment management services through its Parker Hunter Asset Management division; (2) financial planning services; (3) retirement plan investment advisory services; (4) consulting services; and (5) other investment advisory services such as a non-wrap version of other investment advisory programs including the Partners Advisory, Compass, and Parker/Hunter Direct programs. The Wealth Management Department and Parker/Hunter personnel work closely with the firm's Private Client Group, including the firm's financial advisors, in providing investment advisory services to clients. Janney provides its investment advisory services on a discretionary, non-discretionary and model portfolio basis.

### **Financial Planning Services**

Janney develops and presents financial plans to clients through both its financial advisors and its Wealth Planning group. Financial plans developed through the Wealth Planning group include a list of the client's current financial assets related to the purpose of the plan, a recommended investment strategy and a list of investment recommendations.

Financial plans may also be developed by certain of our financial advisors for their clients. Such reviews consist of written reports delivered after the client has completed a questionnaire and discussed his or her assets, liabilities and financial requirements with the financial advisor. Following the delivery of the report, the investment advisory relationship terminates. The client may then opt to implement the financial plan with Janney.

### **Retirement Plan Investment Advisory Services**

Janney offers investment advisory and consulting services to employee retirement plans. Janney works with employers and plan administrators and may provide advice on employer-sponsored retirement plan investment menu selection of mutual funds or other investment options and fund replacement recommendations. Janney offers services related to: (1) investment selection and monitoring; (2) provider search and evaluation; (3) participant education and enrollment services; and (4) plan consulting. Plan clients may select a single project or may elect a complete service package. For example, Janney may assist in the maintenance of an investment policy statement, provide ongoing selection performance monitoring and due diligence, periodic performance reporting, employee education, or provide other services. Janney may also provide related ancillary assistance concerning the Plan's ongoing administration and operation. Janney tailors the services provided to the needs of each client.

The investment advisory-related and consulting services described above are non-discretionary in nature. Additionally, Janney will not accept discretion over plan assets or any participant's investments in conjunction with providing the services described above.

### **Consulting Services**

Janney offers certain advisory services on a consulting basis through its financial advisors designed to assist clients in developing an investment strategy. Under the consulting agreement, we may perform, among other services, initial consulting needs assessments, investment profiles, on-going portfolio review, periodic performance measurements, adviser monitoring and other services agreed upon by the client and us. Janney will recommend investment managers and mutual funds for the client that we believe are appropriate given Janney's understanding of the client's risk tolerance and investment objective. The client then selects which investment manager strategies and mutual funds to utilize. The client may authorize Janney to act with discretion when selecting the investment managers and mutual funds. In certain instances, client may grant Janney the discretionary authorization to engage or discontinue the services of investment managers as well as purchase and/or sell mutual funds.



We tailor our advisory services to the individual needs of our clients. We primarily utilize the information provided by clients in the Janney Risk Tolerance Questionnaire or Investment Policy Statement to understand a client's risk tolerance and investment objective. Janney then recommends investment products and services that we believe are consistent with the client's risk tolerance and investment objectives. Clients may impose investment restrictions under Janney's wrap programs by notifying us in writing of securities that may not be purchased in the client account. Under certain wrap programs, the client may also restrict certain assets from being sold out of the client's account by notifying us in writing. In addition, under the Adviser's MSP Program, a client may restrict securities purchases in certain asset classes by notifying us in writing.

Janney provides discretionary portfolio management services under the following wrap fee programs: (i) Compass; (ii) FIED; (iii) ETF Advantage; (iv) Keystone; (v) Alternative Focus Account; and (vi) Russell Strategies. Our Parker/Hunter division also provides discretionary portfolio management services directly to investment advisory clients or through one of the above-referenced wrap fee programs. We may provide portfolio management services under the Advisers MSP Program if one of our wrap programs is selected as an investment sleeve.

Client assets are managed differently depending upon the program selected. Under the Compass and FIED programs, our financial advisors manage the client account. Each financial advisor manages the client account based on the client's individual investment objective and risk tolerance. Investment management styles will vary depending upon the financial advisor.

Clients who select the ETF Advantage, Keystone, Alternative Focus Account or Parker/Hunter Direct program will have their account managed by Parker/Hunter according to the strategy selected by the client.

Janney manages the Russell Strategies program with the goal of adhering to the portfolio asset allocations selected by Russell Investments.

Certain Compass, FIED or Parker/Hunter Direct program accounts may be managed on a commission basis. For these accounts, clients pay transaction commissions instead of a wrap fee. Janney does not manage commission-based investment advisory accounts differently from fee-based wrap accounts. Under programs where Janney acts as the investment manager, Janney will receive all fees or commissions associated with the account. Where an unrelated investment manager is selected, Janney will retain a portion of the fee. The unrelated investment manager receives the remainder of the fee.

#### **Performance-Based Fees and Side-by-Side Management**

Janney does not accept performance-based fees.

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

Janney Financial Advisors consult with their clients and utilize the Janney Risk Tolerance Questionnaire to develop an investment strategy for the client. Given the number of Financial Advisors providing advice at Janney, the methods of analysis and investment strategies will vary based upon the individual Financial Advisor providing the advice.

Upon selection of an appropriate product, Janney's Wealth Management Department performs research and due diligence on an ongoing basis on investment managers to provide clients a selection of mutual funds and separate account products across the full spectrum of asset classes.

#### ***Parker/Hunter***

Parker/Hunter Asset Management's approach to security analysis is based on fundamental research. This approach entails an examination of the operating, financial and industry conditions

affecting each company whose security is under consideration, all from a long-term perspective. Parker/Hunter Asset Management also strives to incorporate economic analysis into its overall market policy, employ certain relative valuation disciplines and make occasional, but limited, use of technical analysis. Parker/Hunter Asset Management's investment professionals will take into account factors such as current yield, price attractiveness, earnings and dividend growth potential, and economic, political and sociological factors. In portfolio construction, the investment managers will seek a prudent level diversification to reduce risk.

While any or all of the sources of information may be used, Parker/Hunter Asset Management's principal sources of information are: Issuer-prepared information (annual reports, proxy materials, press releases, etc.), SEC filings, management interviews and contacts, industry trade association statistics, government data and financial publications. Research is also obtained from equity research departments of other financial institutions and independent research services.

Asset allocation is primarily determined by analysis of the client's objectives and risk tolerance and secondarily by analysis of market and economic factors. Investment strategies recommended by Parker/Hunter Asset Management are generally long-term oriented.

### **Voting Client Securities**

Janney will deliver proxy materials for securities held in an account to the client unless the client delegates proxy voting authority to Janney or to another client agent. In accordance with Rule 206(4)-6 under the Advisers Act, Janney adopted and implemented written policies and procedures to govern proxy voting that are reasonably designed to ensure that it votes client securities in the best interests of clients. If client assets are managed by a manager unaffiliated with Janney and the client elects to have another party vote the proxies for the client, the unaffiliated manager, not Janney, will vote the proxies for the client. To assist in the proxy voting process, Janney retains an independent third-party proxy voting service that provides various services such as research, analysis, and recommendations regarding votes as well as vote execution, reporting, auditing and consulting assistance for the handling of proxy voting responsibility. While Janney relies upon its proxy voting service in setting proxy voting guidelines, Janney may deviate from these recommendations on either general policy issues or specific proxy proposals. A potential conflict of interest may occasionally arise between the nature of a proxy vote and relationship Janney has with the subject company. In that event, the client's best interest receives foremost consideration and such proxy votes would be provided by the independent third party utilized to assist in the proxy voting process.

Janney will furnish its proxy voting record regarding a client's securities if so requested by the client. Additionally, Janney will provide a copy of its current proxy voting policy, without cost, upon request by the client. Requests should be submitted in writing to:

Investment Advisory Chief Compliance Officer  
Janney Montgomery Scott LLC  
1801 Market Street  
Philadelphia, PA 19103

When neither Janney nor an investment manager unaffiliated with Janney has been given the right to vote proxies for the client, the client will be responsible for voting proxies and otherwise addressing all matters submitted for consideration by security holders, and Janney is under no obligation to take any action or render any advice regarding such matters.

Janney generally does not participate in securities class action claims or claims arising from bankruptcy. At a client's request, it will forward information about such claims to the client.

**Item 7: Client Information Provided to Portfolio Managers**

When a client chooses an investment manager that is unrelated to Janney, Janney forwards certain information about the client to the investment manager to ensure the client's investment objectives are addressed. The client information sent to an unrelated investment manager includes: (i) the investment advisory contract signed by the client; (ii) the Janney Risk Tolerance Questionnaire describing the client's investment strategy; (iii) current client account holdings; and (iv) certain client information such as name, address, and tax identification number. Janney will update this information with the investment manager on an as-needed basis. Janney maintains separate agreements with investment managers recommended under the Adviser's and Riverfront programs. These separate agreements require investment managers maintain confidentiality of client information.

**Item 8: Client Contact with Portfolio Managers**

Clients are permitted to contact their Janney Financial Advisor at any time with questions about their account. If a client utilizes an investment manager that is unrelated to Janney, the investment manager can be contacted through the client's Janney Financial Advisor, who will make arrangements for a consultation. Clients who select a program under which Parker/Hunter provides investment advisory services may also arrange for a consultation through the client's Janney Financial Advisor. Under the Classic Program, clients have contacted separately with the investment manager and arrange their own contact with the investment manager.

**Item 9: Additional Information****Disciplinary Information**

Details of Janney's disciplinary information is described in more detail in Part I of its Form ADV, available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Consistent with the requirements of Form ADV Part 2A, please find information regarding the following disciplinary matters.

On July 21, 2005, Janney entered into an Acceptance, Waiver & Consent (AWC) with the Financial Industry Regulatory Authority (FINRA), the self-regulatory organization for the brokerage industry (then known as the NASD). Without admitting or denying any findings by FINRA, the firm agreed to a fine of \$1,200,000 and agreed to pay restitution of \$998,285.81 for improper market timing activity in connection with mutual fund transactions.

On May 6, 2009, Janney entered into an AWC with FINRA. Without admitting or denying any findings by FINRA, the firm agreed to a \$200,000 monetary sanction with respect to its written supervisory procedures and communications pertaining to auction rate securities ("ARS"). The firm currently does not purchase ARS for client accounts and the AWC reflected Janney's voluntary repurchase of ARS and other steps taken to ensure that clients were not harmed by the developments in late 2008 negatively impacting the ARS marketplace. ARS securities are not currently available to Janney advisory accounts

On November 3, 2010, Janney entered into an AWC with FINRA. Without admitting or denying any findings by FINRA, the firm agreed to a \$175,000 monetary sanction with respect to findings arising out of examinations of the firm by the NYSE (a predecessor regulator to FINRA) in 2003-5, pertaining to its broker-dealer business including failure to establish certain elements of an adequate anti-money laundering program, failure to follow procedures designed to prevent a supervisor or their subordinate from approving the supervisor's activities, failure to approve and maintain records of certain marketing and media activities, failure to document the review of certain discretionary option activity, and the failure to maintain certain records.

### **Other Financial Industry Activities and Affiliations**

Janney is registered as a broker-dealer under the Exchange Act and as an investment adviser under the Advisers Act. Janney financial advisors are both registered representatives for brokerage related services and investment advisory representatives for investment advisory related services.

Janney is a licensed insurance agency and certain financial advisors are also licensed insurance agents. In this role, Janney offers insurance products to its clients. In addition, as it relates to the financial planning services described above, Janney also provides advice from time to time with respect to insurance matters. Certain insurance products may be issued or sponsored by Janney's parent company, The Penn Mutual Life Insurance Company.

The firm does not receive compensation from investment advisers that are recommended or selected through one of the wrap fee programs that utilize third party investment managers. Some investment advisers, in their capacity as adviser to a mutual fund, closed-end, private fund or some other pooled investment, may share a percentage of the revenue they receive from such funds that relate to investments in such funds by Janney clients as further described in Item 5E of the Investment Management Disclosure Brochure Form.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Janney has adopted an Investment Advisory Code of Ethics (the "Code") that provides firm employees detailed guidelines governing their conduct including, but not limited to, the conduct of business with firm clients, knowledge and enforcement of firm privacy policies, conflicts of interest, compliance with state and federal statutes, laws and regulations, personal trading activities and possession and actions with regard to "inside information". Janney will provide a copy of its investment advisory code of ethics to any client or prospective client upon request.

Janney may execute trades on a principal basis in client's Partners Advisory account under certain circumstances. A principal trade occurs when Janney purchases (or sells) a security directly from (or to) client accounts from Janney's inventory rather than a third party. In order to facilitate principal trades in client's account, Janney will: (i) provide client with information about principal trades and obtain client's prior written consent; (ii) verbally confirm, at the time of each transaction, that the trade may be done on a principal basis; (iii) disclose on trade confirmations for each principal trade that Janney acted as principal in connection with the transaction; (iv) send client an annual report detailing each principal trade in client's account over the previous year; (v) continue to subject all transactions to Janney's duty of best execution and fiduciary responsibility; and (vi) comply with client's request for additional information at any time about principal trades. Client may revoke the authorization for Janney to engage in principal trades at any time by providing written notice to Janney.

A conflict of interest exists when Janney executes trades on a principal basis for client accounts. Janney has an interest in receiving a spread (the difference between the price Janney buys the security and the price at which Janney sells the security to the Client account). Janney may also receive other compensation by selling from its inventory to a Client account. For example, Janney may be compensated as an underwriter for selling securities on behalf of an issuer. Clients will pay the public offering price for securities purchased from Janney where Janney acts as an underwriter or dealer. Janney may pay a portion of compensation received from such a transaction to the Client's Janney Financial Advisor.

Where a commission, concession, or mark-up is received by the Janney Financial Advisor when engaging in a principal trade under the Partners Advisory Program, the security purchased on a principal basis will be made a non-billable asset for a period of one year from the date of purchase. The commission, concession, or mark-up may be greater or less than the asset-based fee the Janney Financial Advisor would otherwise receive.

Transactions for Classic or Adviser's Program clients are effected by Janney only on the instruction of the client's selected investment manager (or the client). Accordingly, for any and all transactions effected by or through Janney in an account under either the Classic or Adviser's Program at the direction of the investment manager or the client, Janney is not providing investment advice in the form of recommendations to buy or sell specific securities. Under these circumstances, Janney may act on an agency or principal basis in executing transactions on behalf of clients under either the Classic or Adviser's Program. When acting as principal, Janney will not take any mark up or mark down on the securities transaction. On occasion, principal trades will be affected from Janney's inventory, in which event Janney may realize a profit or a loss depending on its cost basis in the securities.

Employees of Janney will invest in the same securities that Janney recommends or buys or sells for clients. The conflict presented by this practice could lead to an employee purchasing or selling a security in advance of a client and receiving a better price. Personal securities transactions by Janney financial advisors are subject to the restrictions and procedures set forth in Code. Under the Code, when a client trade and a Janney financial advisor trade occurs on the same trade day and in the same security, the client receives an equal or better price. The Code provides for limited exceptions to this policy, which are subject to approval by the Compliance and/or Legal Department. Additionally, where a client account is under the direction of an investment manager other than the financial advisor, this policy will not apply. Separately, Parker/Hunter personnel are subject to certain trading restrictions designed to mitigate conflicts of interest. These restrictions include holding periods for securities and a prohibition from purchasing initial public offerings.

Janney may effect "crossing" transactions (*i.e.*, transactions in which Janney acts as broker for the parties on both sides of the transactions) involving the Classic, Adviser's, or Riverfront programs or other clients only in accordance with applicable law. Janney will not effect "crossing" transactions for clients under the Compass, Discretionary, and FIED programs. When effecting such transactions, Janney would receive compensation (the amount of which may vary) from the other party to such transactions, which compensation from the other party would be in addition to the fees described herein. While all transactions involving the Classic, Riverfront, or Adviser's programs are directed by either the investment manager or the client, in the event that clients do not want orders to be executed in this manner, they may notify Janney in writing at any time.

### **Review of Accounts**

The firm reviews accounts on an ongoing basis for conformity with internal and client guidelines for the particular investment strategy or program.

Janney Financial Advisors should periodically review accounts to assess whether the investment strategies and investments are consistent with client investment objectives and risk tolerance. The Financial Advisor's branch manager also provides supervision of the account activity.

We also communicate informally (by telephone or e-mail) and may meet with clients as per their request.

Clients receive quarterly portfolio performance appraisals for their investment advisory accounts and monthly brokerage/custodial statements if there is trading activity in their account. The statements contain holdings and net asset values, as well as gain/loss information and contribution and withdrawal activity.

### **Client Referrals and Other Compensation**

Pursuant to written agreement, Janney's financial advisors may occasionally refer clients to investment advisers. Janney receives a fee equal to a stated percentage of the annual advisory fee which a solicited client pays to the other investment adviser. The fees received by Janney are disclosed to clients at the time of engagement and solicitation arrangements are established in accordance with Rule 206(4)-3 under the Advisers Act. Janney and the advisers may each terminate a written solicitation

agreement on thirty (30) days' notice. The agreement requires Janney to deliver to each solicited client a copy of the other adviser's disclosure brochure, as well as a separate disclosure statement complying with rule 206(4)-3.

Janney and its Financial Advisors may occasionally refer, recommend or maintain alliances with certain unaffiliated institutions that provide trust services, including arrangements with Bryn Mawr Trust Company, the Pennsylvania Trust Company, and RBC Trust Company. These unaffiliated institutions offer various types of trust services, including trust administration, custody, tax reporting and record keeping, to Janney clients. Depending upon the particular arrangement, Janney typically receives a fee from such unaffiliated institution based on a percentage of the assets under administration with the particular trust company from referred or recommended trust clients. In certain arrangements, the trust company may engage Janney to manage assets of a trust and/or provide custodial services for such trust, for which Janney typically receives an asset-based fee from the trust client.

For Parker/Hunter accounts (Parker/Hunter Direct, ETF Advantage and Keystone) opened prior to January 2010, Parker/Hunter receives 10 basis points ("bps") of the client fee with the remainder credited to the Janney Financial Advisors. (A "basis point" is one-hundredth of one percent.) For example, if a client using Parker/Hunter as the investment manager is paying a fee of 1.50%, then Parker/Hunter receives 0.10% and the Janney Financial Advisor is credited with 1.40% of the fee. Where an unaffiliated investment manager is selected, the manager receives a larger share of the client fee than if Parker/Hunter is selected. An incentive, therefore, exists for Janney Financial Advisors to recommend Parker/Hunter based on this disparity in compensation. For accounts opened after January 2010, Parker/Hunter generally receives 25 bps of the client fee, except for Keystone, Parker/Hunter Direct fixed income accounts over \$1 million, and Parker/Hunter Direct equity and balanced accounts over \$5 million, for which Parker/Hunter receives 15 bps of the client fee.

Janney may compensate unrelated third parties for client referrals pursuant to a written agreement between the parties. The agreement requires the solicitor to deliver to each solicited client a copy of Janney's adviser's disclosure brochure, as well as a separate disclosure statement complying with rule 206(4)-3. The solicitor will generally be compensated a portion of the client fee received by Janney.

From time to time, Janney may initiate incentive programs for Janney Financial Advisors. These programs may compensate them for attracting new assets and clients and for promoting investment advisory services. Janney may also initiate programs that reward Financial Advisors who meet total production criteria, prepare financial plans, participate in advanced training, and improve the client experience.

Financial Advisors who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums and recognition trips. Portions of these programs may be subsidized by external vendors and/or our affiliates. Therefore, Financial Advisors and other associates may have a financial incentive to recommend the programs and services included in these incentive programs over other available services we offer. The firm has policies and procedures reasonably designed to ensure that the firm and its Financial Advisors act in the best interests of clients.

Janney has contracted with Broadridge Investor Communications Solutions, Inc. ("Broadridge"), an unaffiliated third party vendor, to distribute proxies, periodic reports, voting instruction information and offering documents for certain products to our clients. Pursuant to the agreement between Janney and Broadridge and in accordance with regulations, Broadridge charges the issuing company on behalf of Janney for these services. Janney may receive a portion of the fees paid by the issuing company from Broadridge.

**Financial Information**

Janney does not require or solicit prepayment of more than \$1,200 in fees per client six (6) months or more in advance.

Janney has no financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Janney has not been the subject of a bankruptcy petition at any time during the past ten (10) years.