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July 6, 2012

## Form ADV Part 2A

### Item 1 – Cover Page

Form ADV, Part 2A, our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “Scott & Stringfellow, LLC” (Scott & Stringfellow, S&S, we, us, our, the “Firm”).

**This Brochure provides information about the qualifications and business practices of Scott & Stringfellow. If you have any questions about the contents of this Brochure, please contact us at (804) 782-8798. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.**

**Additional information about Scott & Stringfellow is also available at the SEC’s investment advisers public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our Firm name). Results will provide you both Part 1 and 2 of our Form ADV.**

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, are information you can use to evaluate us. These communications are factors you can use in your decision to hire us or to continue to maintain a mutually beneficial relationship with us.

### Item 2 – Material Changes

1. We discuss below only material changes which we believe are important in terms of disclosure since the last filings of our Form ADV Part 2A, our Firm Disclosure Brochure, and our Program Brochures on March 15, 2012, which were our annual amendment updates and filed on the SEC’s Investment Advisers Public Disclosure Website (IAPD), [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

2. On June 19, 2012, FINRA accepted a Letter of Acceptance, Waiver and Consent (“AWC”) from Scott & Stringfellow, LLC (the “Firm”) (Case Number 20090195365). The allegations are as follows:

During the period from January 2008 through June 2009 (the “Relevant Period”), Scott & Stringfellow failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable NASD and/or FINRA rules in connection with the sale of leveraged, inverse, and inverse-leveraged Exchange-Traded Funds (“Non-Traditional ETFs”). Non-Traditional ETFs have certain risks that are not found in traditional ETFs, such as the risks associated with a daily reset, leverage and compounding. The performance of Non-Traditional ETFs over longer periods of time can differ significantly from the performance of their underlying index or benchmark, especially in volatile markets. Nonetheless, Scott & Stringfellow supervised Non-Traditional ETFs the same way it supervised traditional ETFs. Thus, Scott & Stringfellow failed to establish a reasonable supervisory system and written procedures to monitor the sale of Non-Traditional ETFs. Scott & Stringfellow also failed to establish adequate formal training regarding Non-Traditional ETFs during the Relevant Period.

In addition, certain Scott & Stringfellow registered representatives did not have an adequate understanding of Non-Traditional ETFs before recommending these products to retail brokerage customers. Certain Scott & Stringfellow registered representatives also made unsuitable recommendations of Non-Traditional ETFs to certain customers with the primary investment objectives of income or capital preservation.

The Firm consented, without admitting or denying the findings, to the imposition of the following sanctions in the AWC, namely a censure and a fine in the amount of \$350,000.

3. We may, at any time, update our Firm Disclosure Brochure or our Program Brochures, which you can download from the above SEC website. You may contact Theresa J. Manderski in the Compliance Department at 804-782-8798, regarding any questions you have about our Brochures and their contents.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	1
Item 3 – Table of Contents .....	2
Item 4A – Description of Firm .....	2
Item 4B - Description of Advisory Services .....	2
Item 5 – Fees and Compensation .....	9
Item 6 – Performance-Based Fees and Side-By-Side Management .....	15
Item 7 – Types of Clients .....	15
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss Analysis .....	15
Item 9 – Disciplinary Information .....	16
Item 10 – Other Financial Industry Activities and Affiliations .....	19
Item 11 – Code of Ethics .....	19
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts .....	21
Item 14 – Client Referrals and Other Compensation .....	23
Item 15 – Custody .....	23
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities (i.e., Proxy Voting) .....	23
Item 18 – Financial Information .....	23
Item 19 – Requirements for State-Registered Advisers .....	23

### Item 4A – Description of Firm

Since its founding in 1893 by Frederic William Scott & Charles S. Stringfellow, Jr., Scott & Stringfellow has operated as a full-service regional brokerage, investment banking and investment advisory firm serving individual, institutional, corporate, and municipal clients. Our mission since our founding has been to put our clients' interests first and foremost through our commitment to their financial success.

On March 26, 1999, Scott & Stringfellow became part of BB&T Corporation (NYSE: BBT). Scott & Stringfellow, LLC is a registered

broker-dealer and a wholly-owned non-bank subsidiary of BB&T Corporation. Our affiliation with BB&T as their retail brokerage subsidiary ensures our continued growth and provides services and resources for our financial advisors and our clients.

Scott & Stringfellow has a longstanding commitment to developing lasting client relationships based on mutual trust and respect. For well over a century, our focus has been on providing comprehensive financial guidance and wealth planning to our clients. Our values are service of the highest quality, the development of a personal relationship with our clients, quality investment advice, and a team of professionals upholding the highest standards of integrity.

BB&T Capital Markets, a division of Scott & Stringfellow, is a leading source of capital market solutions and services for selected corporate, government, and institutional relationships. The Capital Markets division allows us to offer our retail client base a broad range of equity and fixed income research, new issue equity and debt products originated by its investment bankers, and secondary liquidity through its equity and fixed income trading desks.

Scott & Stringfellow and BB&T Capital Markets have more than 60 offices throughout the country and employ more than 900 people. Together, the firms have over 600 registered individuals, including 320 financial advisors. Scott & Stringfellow is a member of the Financial Industry Regulatory Authority ([www.finra.org](http://www.finra.org)), and the Securities Investors Protection Corporation.

BB&T Investment Services, Inc., Sterling Capital Management LLC and SHDR Investment Advisers, Inc. are affiliated advisers of Scott & Stringfellow. Another affiliated adviser BB&T Asset Management merged with Sterling Capital Management LLC on October 1, 2010.

Clearview Correspondent Services, LLC ("Clearview"), like Scott & Stringfellow, is a wholly-owned subsidiary of BB&T Corporation. Clearview is a FINRA member clearing broker-dealer of securities and provides custody and trade execution services.

Assets under management in Scott & Stringfellow's fee-based advisory accounts total \$3.8 billion as of December 31, 2011.

### Item 4B - Description of Advisory Services

#### 1. Spectrum Investment Program

Scott & Stringfellow assists certain clients in the selection of independent investment advisers to professionally manage client assets. In this investment advisory capacity, the Firm does not give investment advice regarding securities in the construction of an investment portfolio. The Spectrum Investment Program is offered as a wrap-fee program.

If your account is subject to the provisions of ERISA, Scott & Stringfellow represents that it is a fiduciary as defined in that Act in performing its duties under this agreement. You agree to maintain any bond required in connection with your account under the provisions of ERISA or other applicable law and to include within its coverage Scott & Stringfellow and any of its personnel as may be required.

## 2. CHOICE Portfolios

### A. CHOICE Wrap Portfolios

Scott & Stringfellow's CHOICE Portfolios ("CHOICE") provides investment advisory services to client accounts on a discretionary basis using one or more of six portfolios: Equity Income Portfolio, Leaders Portfolio, Special Opportunities Portfolio, SMID Portfolio, Insight Portfolio and/or Enhanced Equity Portfolio. Each CHOICE client must complete and sign a questionnaire that inquires about the client's attitude toward risk and reward, the client's current financial situation and any specific constraints that might affect investment decisions for the client. Scott & Stringfellow will not act for the client in any legal proceedings, including bankruptcies, involving securities held or previously held in a CHOICE account.

### B. CHOICE Investment Advisory Services

CHOICE Asset Management Group, a department of Scott & Stringfellow, LLC, offers investment advisory services to assist clients, both high-net worth individuals and institutions (such as pension and profit sharing plans, trusts, estates, or charitable organizations, corporations and other business entities). In addition, the Group offers investment sub-advisory services to mutual funds and outside investment platforms. The Group's clients look to obtain professional asset management for an investment advisory fee. Custody and brokerage services are not included in the investment advisory service fee.

CHOICE provides an investment advisory service to client accounts on a discretionary basis. The CHOICE Asset Management Group provides disciplined equity portfolios based on certain established CHOICE guidelines designed to help meet a variety of client investment objectives. CHOICE consists of six portfolios, each using a multi-cap, multi-style approach to build a diversified, but concentrated portfolio; an Equity Income Portfolio, a Special Opportunities portfolio, an Enhanced Equity Portfolio, a SMID Portfolio, an Insight Portfolio, and a Leaders Portfolio. The Equity Income Portfolio is primarily a larger-cap portfolio focused on increasing dividend payouts; the Special Opportunities Portfolio is multi-cap, multi-style focused on stock selection; the Enhanced Equity Portfolio is a portfolio that manages risk through the use of covered call writing; the SMID Portfolio concentrates on small- and mid-cap stocks; the Insight Portfolio focuses on corporate insiders' stock purchasing activity or existing ownership based on SEC filings; and the Leaders Portfolio primarily consists of larger cap equities that are seen as industry leaders.

Clients for this service are expected to be sophisticated institutional and high-net worth individuals that can adequately assess their own investing risk/reward profiles and select appropriately from the available portfolios.

## 3. Investment Advisory Program ("Program")

In this Program, clients utilize a Program Agreement to select one or more investment managers (the "**Manager**") who will manage their discretionary account(s). The Firm will, among other things, provide clients with the broker/dealer and investment advisor services described below. The Firm will not manage the Client's account or provide discretionary trading in the Client's account because these services will be provided by the Client's Manager. The Firm will initiate the steps necessary, including the receipt of investment funds, to open Client's account, and will be available on an ongoing basis to receive deposit and withdrawal instructions, and to convey any changes in the Client's financial circumstances or investment objectives to the Client's Manager.

The Client acknowledges that the decision to retain any particular Manager rests with the Client. The Firm will assist the Client in establishing appropriate investment objectives and will recommend one or more Managers to provide continuous discretionary investment management to the Client. Client will have no obligation to select or to use any Manager recommended by the Firm, but understands that once a Manager has been selected by Client, each Manager must first agree to accept the management of Client's account subject to any restrictions requested by Client.

The Firm does not assume responsibility for any Manager's investment decisions or performance or compliance with applicable laws or regulations or any other matters within that Manager's control. The Firm's relationship with a Client's Manager is governed by a separate agreement between the Firm and the Manager.

The Firm reserves the right to terminate a Manager from this Program at any time and for any reason. In addition, each Manager may resign from participation in this Program. The Client acknowledges and agrees that the Firm may retain and terminate any Manager with respect to any account in this Program. Upon the termination or resignation of a Manager, the Firm will notify Client of such event and Client will be responsible for promptly selecting a new Manager to manage the account through the completion of a new Program Agreement. The Client further acknowledges that any failure to timely complete and return the new Program Agreement may result in account being re-assigned to a new Manager selected by the Firm or may result in the account's termination from the Program in the event that the Firm concludes that a suitable alternative manager is not available in the Program. Should the Firm re-assign the account to a new Manager, the Firm will provide written notice to the Client.

Client's Manager will buy, sell or otherwise trade securities or other investments in Client's account in accordance with their investment style/discipline and subject to the Client's reasonable restrictions without discussing these transactions with the Client in advance. The Client also authorizes the Firm and Manager to take any other

necessary action in connection with the opening and maintenance of their account, the completion and payment of transactions in the account and the fulfillment of all other obligations hereunder. This authorization shall inure to the benefit of any designee or successor corporation of the Firm and the Manager, respectively, and shall be binding upon the Client's heirs, executors, successors and assignees.

The Firm's and Manager's understanding of the Client's current investment objectives and investment restrictions is based upon the information in the *Questionnaire and Investor Profile*. Client acknowledges completing the *Questionnaire and Investor Profile* and warrants that all information contained in the *Questionnaire and Investor Profile* is accurate. The *Questionnaire and Investor Profile* is part of, and incorporated into, the Program Agreement. The Firm and the Manager, respectively, have relied and will continue to rely on the information provided in the *Questionnaire and Investor Profile*. This information is important for the management of the account.

Additionally, Client agrees to notify the Firm and Manager if Client's financial circumstances or investment objectives (including but not limited to the investment objectives for this account) change. Also, Client agrees to provide the Firm and Manager such additional information as the Firm or Manager may request from time to time to assist the Manager with managing the Client's account.

Clients may impose reasonable restrictions on the management of their account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. The Firm will forward these instructions to the Manager. If the Firm or Manager believes the instructions are unreasonable or if the Firm or Manager believes that the instructions are inappropriate, the Firm will notify the client that unless the instructions are modified they may be required to select an alternate Manager or cancel the account.

Scott & Stringfellow offers this Program as a wrap fee program.

#### 4. Unified Managed Account Program ("UMAP")

The Program is a discretionary account which incorporates various investment products including: manager model portfolios, separate account managers, mutual funds and ETFs. In the Program you retain the ability to select one or more manager models ("**Models**"), and/or separate account managers (the "**Manager**") who will manage your discretionary account. Where Models, mutual funds, and/or ETFs have been selected, the Firm will maintain trading authority and discretion. Where Managers have been selected, the Manager will maintain trading authority and discretion.

The Firm's understanding and the Manager's understanding of the Client's current investment objectives and investment restrictions is based upon the information in the *Questionnaire and Investor Risk Profile*, which Client acknowledges having completed and represents all information to be accurate. The Firm and the Manager,

respectively, have relied and will continue to rely on the information provided. This information is important for the management of the Account.

Additionally, Client agrees to promptly notify the Firm if Client's financial circumstances or investment objectives (including but not limited to the investment objective for the Account) change. Also, Client agrees to provide the Firm such additional information as the Firm may request from time to time to assist the Firm in managing the Account.

Please be aware that you have the ability to impose reasonable restrictions on the management of the Account, including the designation of particular securities or types of securities that should not be purchased for the Account, or that should be sold if held in the Account. The Firm will forward these instructions to your Manager. If the Firm or your Manager believes the instructions are unreasonable or if the Firm or your Manager believes that the instructions are inappropriate, the Firm will notify you that unless the instructions are modified you may be required to select an alternate Manager or cancel the Account.

#### A. Manager Models

In the Program, you retain the ability to select one or more manager models ("**Models**"), mutual funds and/or ETFs for the purposes of selecting and customizing a blended portfolio. The Firm has retained investment portfolios provided by approved registered investment advisors ("**Alpha Providers**") who make recommendations for purchases and sales of securities based upon specific investment objectives and guidelines. Client must designate the Model(s) it selects to provide investment recommendations to the Firm with respect to the Account, and a separate ("**Subaccount**") will be established for the assets allocated to each Model selected by the Client in the Program. The Firm, and not the Alpha Provider, will construct and manage the Account and Subaccounts under the Program. The Alpha Provider's responsibilities are limited as set forth in the terms and conditions of the Alpha Provider and FDX Advisors Inc. Agreement. The Firm has retained FDX Advisors Inc. to provide certain services which enable the Firm to offer the Program.

Client acknowledges and understands that the Firm will manage the Account and that the Client has no contractual relationship with any Alpha Provider. Client further acknowledges that the Firm will seek to manage the Account and Subaccount in a manner consistent with the recommendations provided by the Alpha Provider, but that the Firm may deviate, in its discretion, from such recommendations. Client acknowledges that as a result of the Firm's overlay management process, the Account and/or Subaccount may vary from the model portfolio. Client understands and acknowledges that because information regarding the composition of the investment recommendations and any updates thereto may be communicated to the Firm on a delayed basis, Alpha Providers may have taken

action or advised other Clients, its affiliates and their respective partners, directors, officers and employees with respect to changes in the investment recommendations before making recommendations or communicating this information to the Firm. As a result, Alpha Providers and/or their related persons likely will have already commenced trading for its or their other Clients before the Firm has received or had the opportunity to evaluate or act on the Alpha Provider's recommendations. In this circumstance, trades ultimately placed by the Firm for Clients may receive prices that are more or less favorable than the prices obtained by the Alpha Providers or their related persons for their Accounts.

The Firm reserves the right to terminate an Alpha Provider from this Program at any time and for any reason. In addition, each Alpha Provider may resign from participation in this Program. The Client acknowledges and agrees that the Firm may retain and terminate any Alpha Provider with respect to any Account in this Program. Upon the termination or resignation of an Alpha Provider, the Firm will notify the affected Client of such event and Client will be responsible for promptly selecting a new Alpha Provider, mutual fund or ETF as a replacement in the respective Account. The Client further acknowledges that any failure to timely complete and return the new Appendix A of this Agreement may result in the Account being re-assigned to a new Model selected by the Firm or may result in the Account's termination from the Program in the event that a suitable alternative Model is not available. Should the Firm re-assign the Account to a new Model, the Firm will provide written notice to the Client.

By executing this Agreement, Client consents to the investment by the Firm of all or part of the Client's Account in mutual funds advised by Sterling Capital Management, LLC, an affiliate of the Firm. Such consent may be revoked by Client at any time. To be effective, any such revocation must be delivered to the Firm in writing. Client's account will only be invested in mutual funds advised by Sterling Capital Management, LLC, if and to the extent such mutual funds satisfy the criteria for inclusion in the model portfolio designated by Client. Sterling Capital Management, LLC receives a fee from these funds for the advisory services it provides that is separate from the fee paid by the Client to the Firm under this account.

B. Separate Account Managers

In the Program, you retain the ability to select one or more separate account managers (the "**Manager**") who will manage your discretionary Account. The Firm will, among other things, provide you with certain services as a broker/dealer and investment advisor as described below. In the instance where the Client has chosen a Separate Account Manager, the Firm will

not manage your Account or provide discretionary trading in your Account because these services will be provided by your Manager. The Firm will initiate the steps necessary, including the receipt of investment funds, to open your Account and will be available to you on an ongoing basis to receive deposit and withdrawal instructions, and to convey any changes in your financial circumstances or investment objectives to your Manager.

The Client acknowledges that the decision to retain any particular Manager rests with the Client. The Firm will assist the Client in establishing appropriate investment objectives and will recommend and engage one or more Managers to provide continuous discretionary investment management to the Client. Client will have no obligation to select or to use any Manager recommended by the Firm, but understands that once a Manager has been selected by Client, each Manager must first agree to accept the management of the Account subject to any restrictions requested by Client.

The Firm does not assume responsibility for any Manager's investment decisions or performance or compliance with applicable laws or regulations or any other matters within that Manager's control. The Firm's relationship with your Manager is governed by a separate agreement between the Firm and your Manager.

The Firm reserves the right to terminate a Manager from this Program at any time and for any reason. In addition, each Manager may resign from participation in this Program. The Client acknowledges and agrees that the Firm may retain and terminate any Manager with respect to any Account in this Program. Upon the termination or resignation of a Manager, the Firm will notify the affected Client of such event and Client will be responsible for promptly selecting a new Manager to manage the Account. The Client further acknowledges that any failure to timely complete and return the new Appendix A of this Agreement may result in the account being re-assigned to a new Manager selected by the Firm or may result in the Account's termination from the Program in the event that a suitable alternative manager is not available. Should the Firm re-assign the Account to a new Manager the Firm will provide written notice to the Client.

In sum, the Manager will buy, sell or otherwise trade securities or other investments in the Account in accordance with the Manager's investment style/discipline and subject to the Client's reasonable restrictions without discussing these transactions with the Client in advance. The Client also authorizes the Firm and Manager to take any other necessary action in connection with the opening and maintenance of the Account, the completion and payment of transactions in the Account and the fulfillment of all other obligations hereunder. This authorization shall inure to the benefit of any designee or successor corporation of the Firm and the Manager,

respectively, and shall be binding upon the Client's heirs, executors, successors and assignees.

5. Professional Management Program ("PMP")

Through Scott & Stringfellow's Professional Management Program ("PMP"), certain selected, qualifying Scott & Stringfellow Financial Advisors provide investment advisory and brokerage services to client accounts on a discretionary basis. PMP Financial Advisors develop disciplined portfolios based on certain established PMP guidelines, the client's investment objectives, and individual client needs as established in investment portfolio and strategy criteria. Each PMP client must complete and sign a questionnaire that inquires about the client's attitude toward risk and reward, the client's current financial situation and any specific constraints that might affect investment decisions for the client. Scott & Stringfellow offers PMP as a wrap-fee program.

6. S&S Advisor

The S&S Advisor account program is a non-discretionary advisory program subject to the rules and requirements of the Investment Advisers Act of 1940. The S&S Advisor account program is a fee-based account program where for a single asset-based fee clients receive advisory services as well as traditional brokerage services. The traditional brokerage services include, but are not limited to, trading, custody, and research. Advisory services may include: client education, investment planning, asset allocation, portfolio review, portfolio rebalancing, manager/stock research and monitoring, portfolio construction, risk tolerance analysis, and setting investment objectives.

The Client shall complete an investor profile questionnaire ("Investor Profile") and will promptly notify Scott & Stringfellow in writing of any other investment objectives, restrictions and instructions ("Investment Guidelines") applicable to the Client's S&S Advisor account ("Account"). Any changes to the Investment Guidelines will become effective as soon as practicable following their delivery in writing to, and their acceptance by, Scott & Stringfellow. Scott & Stringfellow, its employees, agents and affiliates shall not be liable to the Client or any other person for any investment made in violation of any investment objective, restriction or instruction of which the Client did not notify Scott & Stringfellow in writing.

The Client may choose to develop an investment strategy in either of the following ways:

- a. The Client provides Scott & Stringfellow with a predetermined investment strategy; or
- b. The Client, in consultation with the Scott & Stringfellow Financial Advisor, determines an appropriate investment strategy designed to reflect the Client's investment needs and objectives identified in the consultation process and the Investor Profile (and any additional written guidelines the Client establishes).

- c. The Client has sole discretion whether to accept or reject a strategy or any specific recommendation to purchase or redeem securities. Scott & Stringfellow shall have no discretionary authority with respect to the Account and shall execute only transactions directed by the Client. Margin is generally not permitted in S&S Advisor accounts. Further, in no event will Scott & Stringfellow be obligated to effect any transaction for the Account which Scott & Stringfellow believes would be in violation of any applicable federal or state law, rule or regulation, or of the rules or regulations of any regulatory or self-regulatory body.

A Scott & Stringfellow Financial Advisor will be available to the Client, during normal business hours, for consultation regarding the Account. At least annually, the Client and the Financial Advisor will meet together (in person or by phone) to review and analyze the Account, the Client's Investor Profile, Investment Guidelines, asset allocation, and other relevant factors and circumstances in order to assess what, if any, changes are to be made in the management of the Account.

The Client acknowledges and understands that the quality of the investment advisory services to be rendered by Scott & Stringfellow under the Client Agreement are dependent upon the accuracy of the data and information supplied by the Client for Scott & Stringfellow's analysis and use in delivering its services. Scott & Stringfellow is under no affirmative duty to independently verify or audit any of such data or information. The Client will promptly notify Scott & Stringfellow of any change in the Client's investment objectives or financial condition that may affect the manner in which the Account assets should be invested. Based on that information, the Scott & Stringfellow Financial Advisor may recommend other investment strategies or investments.

Scott & Stringfellow's responsibility in connection with the Client's selection of investments shall be to consult with the Client, based on the Client's Investor Profile and Investment Guidelines, as to which investment strategy would be most compatible with the Client's investment objectives and needs and as to which investment would be most compatible with the investment strategy selected by the Client. Scott & Stringfellow shall not be responsible for the performance of any selected investment. The Client acknowledges the right and authority of Scott & Stringfellow to remove any investment from S&S Advisor upon at least thirty days' prior written notice to the Client.

The Client will be sent confirmations of transactions in the account and periodic account statements. It is the Client's responsibility to review this material and report any discrepancies to the Financial Advisor as soon as possible.

Eligible assets in the account include: cash & cash equivalents, free credit balances, money markets, common stock, preferred stock, rights/warrants on stock, closed-end mutual fund shares, eligible open-end mutual fund shares, American Depositary Receipts ("ADRs"), exchange traded funds ("ETFs"), foreign stock, fixed income securities, municipal securities, publicly traded limited partnership shares, unit investment trusts, option contracts, and structured products.

The S&S Advisor Program is not intended for day trading or other excessive securities or option trading activity, including trading based on market timing. The Account may be terminated or frozen, at the Firm's discretion, if these activities occur. Losses resulting from Client initiated or Client-directed transactions, including, without limitation, losses resulting from the frequency of trading, are solely the Client's responsibility.

The Client, in conjunction with the Financial Advisor, may choose a strategy that includes asset allocation, that is, assignment of a percentage of the overall value of the Account to each asset class. If the strategy includes asset allocation, it may also include a fund allocation, that is, an assignment of a percentage of the overall value of the asset class to one or more mutual funds.

In order to implement any investment strategy, the Financial Advisor may recommend to the Client eligible securities that may include mutual funds ("mutual funds"), offered at their net asset value without any front-end or deferred sales charge, which may also include no load funds, that Scott & Stringfellow believes possess investment characteristics that are consistent with the Client's Investment Guidelines. If the investment strategy will be implemented with mutual funds only, the Client shall select from the various mutual funds and shall specify, in writing, the mutual funds in which Account assets are to be invested and the allocation among those mutual funds. This written fund allocation may subsequently be modified by the Client orally by notifying the Financial Advisor of the Client's changes.

Client understands that the cash portion of the Account will automatically be swept on a daily basis into the Firm's Insured Deposit Program (IDP) providing FDIC insurance for all eligible cash balances or, in some cases, shares of a money market fund made available by the Firm at their then current net asset value. For all cash swept into a money market account, Client shall bear a proportionate share of the money market account's expenses and fees, as set forth in the money market fund's prospectus.

#### **Additional Disclosures Relevant to All Above Programs 1 – 6**

Clearview will maintain custody of the assets held in the Account. As custodian Clearview will, at no additional charge, credit the Account with dividends and interest paid on securities and with principal paid on called or matured securities in the Account. For CHOICE, Spectrum, Investment Advisory Program and UMAP accounts where

the manager votes proxies, Client may elect not to receive proxy and annual reports for the holdings in the account, which election may be rescinded at any time. Upon request, Client will be provided with a copy of the manager's proxy voting policies and procedures which may be updated from time to time. In addition, Client will be provided information on how the proxies were voted by the manager upon request of the Investment Adviser.

Clearview will send the Client confirmations of Account transactions and monthly statements summarizing Account positions and portfolio value. It is the Client's responsibility to review this material and report any discrepancies to the Financial Advisor as soon as possible. The Client may elect not to receive a confirmation for each securities transaction, which election may be rescinded at any time. Any discrepancy not objected to in writing by the Client within 30 days of receipt will be binding upon the Client.

The Firm and its affiliates manage or provide advice to Accounts for many types of Clients and also engage in a broad range of other research, advisory, brokerage, and investment banking activities. The same may be true for your Manager. The advice given to, or action taken for, any other Client or Account, including the Firm's or Manager's own Accounts, may differ from that provided to your Account. In particular, transactions effected in your Account may differ from those in other such Accounts or from the advice provided by Firm Financial Advisors or the Firm's research departments. Nothing in the Program Agreements shall be deemed to impose upon the Firm or Manager any obligation to purchase or sell, or recommend for purchase or sale, for the Account, any security or other property which the Firm or its affiliates, or Manager may purchase or sell for their own Accounts or for the Accounts of any other Client. Client hereby acknowledges and agrees that the Firm or Manager may purchase securities for its own Accounts that are purchased for the Accounts of its Clients.

The Firm and Manager may occasionally acquire confidential information in the course of its business. If that occurs, the Firm and Manager will not, of course, be able to divulge it or act upon this information for the Account. The Firm and Manager are under no obligation to execute any transaction for the Account which it believes to be improper under applicable law, rule, or regulation.

In valuing the Account, the Firm will use the closing prices and/or mean bid and ask prices of the last recorded transaction for listed securities and over-the-counter Nasdaq securities. In so doing, the Firm will utilize information provided to it by quotation services believed to be reliable. If any such prices are unavailable or believed to be unreliable, the Firm will determine the price in good faith so as to reflect its understanding of fair market value.

The Firm will not act on Client's behalf or render advice in legal proceedings involving the Account or the securities in it. Client will be sent the information and documents that the Firm has received for distribution to customers to help Client take whatever action Client deems advisable.

Notwithstanding the above, for CHOICE, Spectrum, Investment Advisory Program and UMAP accounts, decisions on the following will be made by the Firm or Manager unless Client directs to the contrary in writing: 1) voting of proxies and 2) tendering of securities or interest coupons in response to offers, calls or redemptions or with respect to the exercise of conversion rights, subscription rights or other options relating to the investments in the Account. The Client shall determine whether or not to participate in any class action lawsuits that arise as a result of the purchase of a security the Alpha Provider or Manager has selected in the Account unless the Client requests in writing the Firm or Manager to act on its behalf in such class action lawsuits.

Client understands that all trading in the Account is at Client's risk and that the value of the Account is subject to a variety of factors including the liquidity and volatility of the securities markets. Client understands that investment performance of any kind can never be guaranteed by the Firm or Manager. Client acknowledges that no representation has been made by the Firm or Manager that success can be assured in any transaction or that the Account will prove profitable.

Free credit cash balances resulting from sales, cash deposits, or interest or dividend credits (that is, cash that may be withdrawn from the Account without resulting interest changes) will automatically be swept on a daily basis into the Firm's Insured Deposit Program (IDP) providing FDIC insurance for all eligible cash balances or, in some cases, into shares of a money market fund made available by the Firm at their then current net asset value. The Firm and its affiliates may have agreements to provide advisory, administrative, distribution, and other services to the money market fund used in the Account and receive compensation as a result of those services.

If a Client is a shareholder of a money market fund then in addition to fees that Client pays to the Firm as part of this Program, Client will bear a proportionate share of the money market fund's expenses which may include the investment management fees that are paid to the fund's investment advisor, which, as stated above, may be the Firm or its affiliates. Refer to the prospectus or statement of additional information provided for a more complete description of the fund and its operation.

If the Account is subject to the provisions of ERISA, the Firm represents that it is a fiduciary as defined in that Act in performing its duties under this Agreement. Client agrees to maintain any bond required in connection with the Account under the provisions of ERISA or other applicable law and to include within its coverage the Firm and any of its personnel as may be required.

#### 7. FDX Advisors

Scott & Stringfellow has entered into an arrangement with FDX Advisors, a SEC registered investment advisor. FDX Advisors provides the Firm with a number of tools to assist Scott & Stringfellow in providing its clients with investment advisory services. Such services include assistance in investment policy development, manager research, proposal development and periodic client reporting. Through FDX Advisors, the Firm also has access to various money managers with reduced fees and account minimums which may not otherwise be available to it.

#### 8. Financial Planning

Scott & Stringfellow offers a financial planning service to its clients. Through the client interview and questionnaire process the client's investment needs and objectives are identified and analyzed. A financial plan, based on the client's investment needs and objectives is, developed and delivered to the client.

#### 9. Qualified Plan Sponsors & Participants

Scott & Stringfellow offers Registered Investment Adviser ("RIA") Services for Qualified Plan Sponsors and Participants. Investment advisory services, offered on a contractual basis, to the Plan Sponsor and the Plan Participants may include providing advice regarding the investment policy statement ("IPS"), the investment selection process, and designing and maintaining asset allocation models. Scott & Stringfellow, through its investment adviser representative ("IAR"), provides quarterly review and monitoring of the investment options. The IAR conducts periodic enrollment and educational meetings with the Plan Participants, as well as annual review meetings with the Plan Sponsor.

#### 10. Discretionary Advisory Account Services

The Firm provides advisory account services on a commission basis to certain accounts in which discretion is provided in writing to the extent allowed for by Rule 202(a)(11)-1 of the Investment Advisers Act of 1940, and the supporting Releases. Certain legacy commission-based accounts, where the Firm had discretionary authority, were converted to advisory accounts. Thus, in these limited circumstances, the Firm provides advisory account services on a commission basis to certain legacy accounts in which clients have provided written discretion to individual investment advisor representatives. The Firm is not actively soliciting these arrangements.

These legacy client accounts will be governed by the terms and conditions contained in the applicable Scott & Stringfellow Account Agreement. Scott & Stringfellow also retains documents evidencing the Client's attitude towards risk and rewards, the Client's financial situation and any



specific constraints that might affect investment decisions for the Client. In addition to executing the Account Agreement, each discretionary commission-based Client must complete and sign a Trading Authorization Limited to Purchases and Sales of Securities form, authorizing their investment advisor representative to engage in securities transactions in the account. This discretionary authority may be terminated by either party upon written notice.

The Firm and its affiliates manage or provide advice to accounts for many types of clients and also engage in a broad range of other research, advisory, brokerage and investment banking activities. The advice given to, or action taken for, any other Client or account, including the Firm's own accounts, may differ from the advice taken in the Client's account. Additionally, the Firm may occasionally acquire confidential information in the course of its business. If that occurs, the Firm will not be able to divulge it or act upon this information for the Client's account. The Firm is under no obligation to execute any transaction for the account which it believes to be improper under applicable law, rule or regulation.

#### 11. Sterling Capital Funds

Scott & Stringfellow serves as a sub-advisor to Sterling Capital Funds (the funds are distributed by Sterling Capital Distributor, Inc.) for certain funds offered by Sterling Capital Funds. Scott & Stringfellow is paid a fee by Sterling Capital Funds based on the assets under management under a sub-advisory agreement signed by both parties.

The Sterling Capital Prime Fund and Sterling Capital Treasury Fund are two of the cash sweep options available for clients to choose for the investment of free cash balances in their Accounts.

#### 12. Municipal Entities

Scott & Stringfellow also provides investment advice to state or municipal government entities.

### **Item 5 – Fees and Compensation**

Clients pay the Firm an Annual Fee in accordance with the individual Program fee schedule. The Annual Fee will be deducted directly from the Account unless the parties agree otherwise. The Annual Fee, which is payable pro-rata on a quarterly basis in advance, will compensate the Firm for investment management as well as custody and execution services, and no separate Firm brokerage commissions will be charged.

The initial Annual Fee will be prorated to cover the period from the date the Account is opened and approved, through the end of the then current full calendar quarter. The initial Annual Fee will be due in full on the day the Firm opens and approves the Account and will be based on the opening value of the Account. Thereafter, the Annual Fee will be based on the Account's value as reflected on the quarter month end statement and will be due the following

business day to cover the next calendar quarter. Additional assets received into the Account will be charged a pro-rata Annual Fee based upon the number of days remaining in the current calendar quarter. No fee adjustment will be made for partial withdrawals or for appreciation or depreciation of the Account within a billing period. For purposes of calculating the Annual Fee due, the Account's value includes the sum of the long market value of all securities, money market, cash and credit balances. Margin debit balances and the short market value of securities held do not reduce the value of the Account. In accordance with the terms of the individual Client Agreement, a pro-rata refund of fees charged will be made to Client if the Account is closed within a quarterly billing period.

The Annual Fee does not include charges to the Account for services not included herein or resulting from certain dealer mark-ups or mark-downs, odd lot differentials, postage and handling charges, IRA fees, transfer taxes, pass-through fees, transaction fees and any other fees which may be charged to the Account.

Clients with mutual funds, exchange traded funds and investment company products in their portfolios are effectively paying the Firm and the fund/product advisor for the management of the Client's assets. Clients who place funds/products under the Firm's management are therefore subject to both the Firm's direct management fee and the indirect management of the mutual fund advisor. These funds/products may be subject to additional advisory and other fees and expenses, as set forth in the respective prospectuses, which are ultimately borne by the Client.

#### **A. Programs**

##### 1. Spectrum Investment Program

Clients pay an annual fee as specified below for services hereunder, including execution services, custody, and quarterly reporting services with no separate charge imposed by Scott & Stringfellow for brokerage commissions on agency trades or markups or markdowns on principal transactions. Scott & Stringfellow may participate in selling concessions on underwritings which are purchased for the Client's Account by the Adviser.

<u>Equity and Balanced</u>	
On the First \$250,000	2.00%
On the Next \$250,000	1.75%
On the Next \$500,000	1.50%
On the Next \$1,000,000	1.00%
Over \$2,000,000	Negotiable

<u>Fixed Income</u>	
On the First \$250,000	1.00%
On the Next \$250,000	0.90%
On the Next \$500,000	0.70%
On the Next \$1,000,000	0.60%
Over \$2,000,000	Negotiable

The minimum account size is \$100,000. Minimums may vary according to each specific Investment Manager/portfolio.

The value of these assets will be determined on the last business day of each quarter according to an account's billing cycle. In certain circumstances, the fee schedule is negotiable. The term "asset value of Client's account" shall mean the sum of the long market value of all securities, money market, cash and credit balances. Margin debit balances and the short market value of securities held do not reduce the value of the Account. This schedule may be amended from time to time by Scott & Stringfellow, provided that the Client will receive 30 days written notice of such amendment.

Compensation to the independent investment adviser will vary and is billed based on the independent investment adviser selected by the Client. Compensation arrangements will also be disclosed in the independent investment adviser's disclosure brochure and/or Scott & Stringfellow's disclosure brochure. Fees, payments and refund policies will vary depending upon the independent investment adviser's fee schedule and terms. Scott & Stringfellow will determine that any independent investment adviser, with which Scott & Stringfellow contracts, is properly registered in those states where investment advice or securities are provided to residents of that state.

Termination of the fee-based contract between Scott & Stringfellow and the client may be effected by either party giving prior written notice, such termination to be effective on the date specified therein. Fees paid in advance for such canceled services would be refunded on a prorated basis. Should the client terminate the contract within five (5) business days of signing with Scott & Stringfellow, a full refund will be provided to the client. For accounts with a direct investment adviser relationship, the contract between the client and Scott & Stringfellow is separate and distinct from any contract between the client and the investment adviser. Upon termination of client's agreement with the independent investment adviser, client's agreement with Scott & Stringfellow will be terminated.

## 2. CHOICE Portfolios

### A. CHOICE Wrap Portfolios

CHOICE accounts are charged an all inclusive "wrap fee" that is both for investment advice and in lieu of commissions. The standard CHOICE fee schedule, which is negotiable, is based on asset size and an assumed "active" portfolio.

## Equity Income, Leaders, SMID, Insight and Special Opportunities Portfolios

Account Size*	Annual Fee
\$100,000 - \$149,999	2.50%
\$150,000 - \$249,999	2.20%
\$250,000 - \$499,999	2.05%
\$500,000 - \$749,999	1.75%
\$750,000 - \$999,999	1.60%
\$1,000,000 - \$4,999,999	1.50%
\$5,000,000 - \$9,999,999	1.30%
\$10,000,000 and Over	1.20%

## Enhanced Equity Portfolio

Account Size*	Annual Fee
\$250,000 - \$499,999	2.55%
\$500,000 - \$749,999	2.25%
\$750,000 - \$999,999	2.10%
\$1,000,000 - \$4,999,999	2.00%
\$5,000,000 - \$9,999,999	1.80%
\$10,000,000 and Over	1.70%

\*Calculated as the value of the account based on your quarter month-end statement, the "value of the account" includes free credit cash balances and for purposes of the accounts described, shall mean the sum of the long market value of all securities, money market, cash and credit balances. Margin debit balances and the short market value of securities held do not reduce the value of the account.

A minimum initial account value of \$100,000 is required for the Equity Income, Leaders, SMID, Insight, and Special Opportunities Portfolio accounts, and \$250,000 for the Enhanced Equity Portfolio accounts. Under certain circumstances the minimum may be waived.

Scott & Stringfellow may terminate any account that has fallen below the minimum account value shown above as required to remain in the Program. Accounts will not be terminated due to fluctuations in market value or fees deducted. However, should the net of the assets received into the account less any client withdrawals taken from the account fall below the minimum account value, then trading will be suspended in the account at that time and the client will be notified in writing of deficiency in that case. Should the account not receive a deposit for at least the amount of the deficiency shown within 30 days of the date that the notification was mailed, then the account shall be removed from the Program and become a non-discretionary investment account at Scott & Stringfellow.

Whenever there are changes to the fee schedule, the schedule or charges previously in effect shall continue until the next quarterly billing cycle. Established fees may not be increased unless the client executes a new agreement.

Client may terminate this Agreement within five (5) business days of its signing and receive a full refund of all fees. Thereafter, either party may terminate this agreement at any time and for any reason by notifying the other in writing and termination will become effective upon the receipt of this notice. However, termination will not affect either party's responsibilities under this Agreement for previously initiated transactions or for balances due in the Account. Upon the termination of this Agreement, Client assumes the exclusive responsibility to direct and monitor the securities in the Account and the Program will have no further obligation to act or advise with respect to those assets or to liquidate the positions held in the Account under this Agreement. Fees paid in advance hereunder will be prorated to the date of termination, and any unearned portion thereof will be refunded to the Client. If the term of this Agreement is less than one year, then the Firm will have no obligation to liquidate the positions held in the Account as part of the Program. If the term of this Agreement is more than one year but less than five years, then the Client may request in writing that the Firm liquidate the positions in the Account and the Client shall pay a liquidation fee of the lesser of the prorated refund above or \$750. If the term of this Agreement is longer than five years, then the Client may request in writing that the Firm liquidate the positions in the Account and the Client will not be charged a liquidation fee.

#### B. CHOICE Investment Advisory Services

CHOICE investment advisory accounts are charged an investment advisory fee that is only for investment advice. Under CHOICE, the client will pay an annual fee, based on the amount of assets under management, for investment advice and management of the account. The investment advisory fee charged under CHOICE may cost clients more or less than purchasing such services from other registered investment advisors or other broker-dealers. The standard fee schedule, which is negotiable, is tiered based on asset size.

#### Equity Income, Leaders, SMID, Insight and Special Opportunities Portfolios

<u>Account Size*</u>	<u>Annual Fee</u>
First \$3,000,000	0.90%
Next \$22,000,000	0.70%
Next \$25,000,000	0.60%
Next \$25,000,000	0.50%
Over \$75,000,000	0.40%

#### Enhanced Equity Portfolio

<u>Account Size*</u>	<u>Annual Fee</u>
First \$3,000,000	1.25%
Next \$22,000,000	0.90%
Next \$25,000,000	0.70%
Next \$25,000,000	0.60%
Over \$75,000,000	0.50%

\*Calculated as the value of the account based on the quarter month-end statement from your custodian, the "value of the account" includes free credit cash balances and for the purposes of the accounts described, shall mean the sum of the long market value of all securities, money market, cash and credit balances. Margin debit balances and the short market value of securities held do not reduce the value of the account.

The initial annual fee under the CHOICE fee schedule is calculated and due as of the date the agreement is opened and approved by CHOICE Asset Management, is based on the initial value of the account, and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods, are payable in advance and shall be calculated on the basis of the market value of the securities and cash held for the account of the client as reflected on the quarter end statement from your custodian. Should cash and/or securities be added between billing periods, a proportionate fee will be charged on the value added as of the date of the addition. No fee adjustment will be made for partial withdrawals or for account appreciation or depreciation within a billing period.

A minimum initial account value of \$1,000,000 is required for the Equity Income, Leaders, SMID, Insight, Special Opportunities, and Enhanced Equity portfolio accounts. Under certain circumstances the minimum may be waived by CHOICE.

CHOICE may, at its discretion, terminate any account that has fallen below the minimum account value shown above as required to remain in the Program. Accounts will not be terminated due to fluctuations in market value or fees deducted. Should the account not receive a deposit for at least the amount of the deficiency shown within 30 days of the date that the notification was mailed, then the account will be removed from the Program.

Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next quarterly billing cycle. Established fees may not be increased unless the client executes a new agreement. If the CHOICE agreement is terminated during a quarter upon written notice from the client, a pro rata refund, less reasonable administrative costs, will be made to the client. The CHOICE agreement may be terminated at any time by either the client or CHOICE upon written notice. A full refund will be provided to the client should they terminate the CHOICE agreement within five (5) business days of its execution.

### 3. Investment Advisory Program ("Program")

Client hereby agrees to pay the Firm the Annual Fee described below.

The Annual Fee will be calculated for each calendar quarter in accordance with the following schedule:

Asset Value of Client's Account	Annual Fee as % of Assets	
	Equity Accounts	Fixed Income Accounts
On the First \$250,000	3.00%	2.25%
On the Next \$250,000	2.50%	1.75%
On the Next \$500,000	2.00%	1.50%
On the Next \$1,000,000	1.75%	1.00%
On the Next \$3,000,000	1.50%	0.75%
\$5,000,000 and Over	1.25%	0.65%

Minimum Account Value is \$100,000 (minimums may be higher according to each specific Manager/Portfolio).

The Firm reserves the right to charge a minimum fee should the account fall below the minimum account value. The Firm may terminate any Account that has fallen below the minimum account value shown above as required to remain in the Program. Should the Account not receive a deposit for at least the amount of the deficiency shown within thirty (30) days of the date that the notification was mailed, the Account shall be removed from the Program and become a non-discretionary commission-based investment Account at the Firm.

Client should be aware that the fees charged to the Account may be higher than those otherwise available if Client chose to select a separate brokerage service and negotiate commissions in the absence of the extra advisory services that the Firm provides. Client should consider the value of the services that the Firm provides when making such comparisons. Client should also consider the amount of anticipated trading activity when assessing the overall cost of our program. Fee based programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity may result in higher compensation than if commissions were paid separately for each transaction. The standard fee schedules set forth above may be subject to negotiation depending upon a range of factors, including, but not limited to, account sizes and overall range of services requested.

The Annual Fee incorporates the Manager's investment management fee. The portion of the Annual Fee to be paid to each Manager for investment management services will be negotiated between the Firm and each Manager.

Client may terminate the Program Agreement within five (5) business days of its signing and receive a full refund of all fees. Thereafter, either party may terminate the Program Agreement at any time and for any reason by notifying the other in writing and termination will become effective upon the receipt of this notice. However, termination will not affect either party's responsibilities under the Program Agreement for previously initiated transactions or for balances due in the Account. Upon the termination of the Program Agreement, Client assumes the exclusive responsibility to direct and monitor the securities in the Account and the Firm will have no further obligation to act or advise with respect to those assets or to liquidate the positions held in the Account under the Program Agreement. Fees paid in advance hereunder will be prorated to the date of termination, and any unearned portion thereof will be refunded to the Client.

### 4. Unified Managed Account Program ("UMAP")

Client hereby agrees to pay the Firm the Annual Fee described below.

The Annual Fee will be calculated for each calendar quarter in accordance with the following schedule:

UMAP HH Assets	Model Sleeves/SMA	Tier	Fund/ETF/Fixed Income SMA
\$ 50,000 \$ 249,999	3.00%	1	2.00%
\$ 250,000 \$ 499,999	2.65%	2	1.75%
\$ 500,000 \$ 749,999	2.25%	3	1.50%
\$ 750,000 \$ 999,999	2.15%	4	1.40%
\$ 1,000,000 \$ 2,499,999	2.05%	5	1.30%
\$ 2,500,000 \$ 4,999,999	1.95%	6	1.20%
\$ 5,000,000 +	1.85%	7	1.10%

Minimum Account value is \$50,000 (minimums may be higher according to each specific Manager/Portfolio).

The Firm reserves the right to notify the Account of a minimum fee to be charged should the account fall below the minimum Account value. The Firm may terminate any Account that has fallen below the minimum Account value shown above as required to remain in the Program. Should the Account not receive a deposit for at least the amount of the deficiency shown within thirty (30) days of the date that the notification was mailed, the Account shall be removed from the Program and become a non-discretionary commission-based investment Account at the Firm.

Client should be aware that the fees charged to the Account may be higher than those otherwise available if Client chose to select a separate brokerage service and negotiate commissions in the absence of the extra advisory services that the Firm provides. Client should consider the value of the services that the Firm provides when making such comparisons. Client should also consider the amount of anticipated trading activity when assessing the overall cost of our program. Fee based programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity may result in higher compensation than if commissions were paid separately for each transaction. The standard fee schedules set forth above may be subject to negotiation depending upon a range of factors, including, but not limited to, Account sizes and overall range of services requested.

The Firm will pay all fees of each Manager selected by the Client. The fees to be paid each Manager will be negotiated by the Firm and each Manager.

Client may terminate the Program Agreement within five (5) business days of its execution and receive a full refund of all prepaid fees. Thereafter, either party may terminate the Program Agreement at any time and for any reason by notifying the other in writing and termination will become effective upon the receipt of this notice. However, termination will not affect either party's responsibilities under the Program Agreement for previously initiated transactions or for balances due in the Account or for any amounts owed. Upon the termination of the Program Agreement, Client assumes the exclusive responsibility to direct and monitor the securities in the Account and the Firm will have no further obligation to act or advise with respect to those assets or to liquidate the positions held in the Account under the Program Agreement. Fees paid in advance hereunder will be prorated to the date of termination, and any unearned portion thereof will be refunded to the Client. If the term of the Program Agreement is more than three years, Client may request in writing the Firm to liquidate the positions in the Account and the Client shall waive their right to a pro-rated refund of the fees above. If the term of the Program Agreement is less than three years, Client may request the Firm in writing to liquidate the positions in the Account and the Client shall be required to pay the greater of the pro-rated refund above or a liquidation fee of \$25 per security in the account, excluding open end mutual funds.

Client acknowledges that the Account assets used to calculate the Quarterly Fee will include those invested assets transferred into the Account for which Client may have previously paid a separate sales charge or load, commission, mark-up, or other cost associated with acquiring such assets. Client further acknowledges that transferring such previously acquired assets into the Account may result in Client paying higher investment related expenses for such assets than Client would otherwise pay were such assets retained in a commission-based mutual fund or other type of account such as direct investment with a mutual fund company.

## 5. Professional Management Program ("PMP")

PMP accounts are charged an all inclusive "wrap fee" that is both for investment advice and in lieu of commissions. The Standard PMP fee schedule, which is negotiable, is based on asset size and an assumed "active" equity portfolio. The minimum quarterly fee is \$500. This standard fee shall be effective if designated or if the fee schedule below is otherwise blank. Any change to the annualized fee must be in writing and signed by the Client and Scott & Stringfellow.

<u>Total Account Value*</u>	<u>Annualized Fee</u>
On the First \$250,000	3.00%
On the Next \$250,000	2.50%
On the Next \$500,000	2.25%
On Anything Over \$1,000,000	2.00%

\*Calculated as the value of the account as reflected on your quarter month-end statement, the "value of the account" includes free credit cash balances and for the purposes of the accounts described, shall mean the sum of the long market value of all securities, money market, cash and credit balances. Margin debit balances and the short market value of securities do not reduce the value of the account.

A minimum initial account value of \$100,000 is required for PMP accounts. Under certain circumstances this minimum may be waived by Scott & Stringfellow.

Whenever there are changes to the fee schedule, the schedule or charges previously in effect shall continue until the next quarterly billing cycle. Established fees may not be increased without client approval. If the PMP agreement is terminated during a quarter upon written notice from the client, a *pro rata* refund will be made to the client. The PMP agreement may be terminated by either the client or Scott & Stringfellow upon written notice. A full refund will be provided to the client should they terminate the PMP agreement within five (5) business days of signing with Scott & Stringfellow.

As a shareholder in the securities in which client's PMP account are invested, Client will receive shareholder communications (including proxy materials) from the individual companies, their service providers or Clearview. Scott & Stringfellow will not advise client on the voting of proxies for company investments held in the Account or advise client in legal proceedings involving companies.

## 6. S&S Advisor

The Account assets used to calculate the Quarterly Fee will include those invested assets transferred into the Account for which Client may have previously paid a separate sales charge or load, commission, mark-up, or other cost associated with acquiring such assets.

Transferring such previously acquired assets into the Account may result in Client paying higher investment related expenses for such assets than Client would otherwise pay were such assets retained in a commission-based mutual fund or other type of account such as direct investment with a mutual fund company.

A fee-based arrangement may not be appropriate for customers who anticipate engaging in a lower level of trading activity, as substantially greater transaction cost savings may be realized in the context of a traditional pay-per-trade commission structure.

Scott & Stringfellow acknowledges that the fee payable by the Client pursuant to the Client Agreement covers investment advisory services rendered by Scott & Stringfellow, and certain commissions, mark-ups and other transactional charges applicable to securities transactions, subject to the terms of the Fees described as follows.

Client agrees to pay Scott & Stringfellow an Annual Fee, which is negotiable, based upon the following schedule and terms. The Standard Annual Fee shall be effective if designated or if the fee schedule is otherwise blank. The minimum Quarterly Fee is \$125 (\$500/year) and the minimum value of the Account is \$25,000. Any change to the Annual Fee must be in writing and signed by Client and the Firm, except as described elsewhere in the terms of the Client Agreement.

On the First \$500,000	2.50%
On the Next \$500,000	2.00%
On the Next \$1,000,000	1.50%
On the Next \$3,000,000	1.00%
Assets Above \$5,000,000	Inquire

The Firm reserves the right to terminate the Client agreement for accounts whose value falls below the minimum account value of \$25,000. Accounts valued less than \$25,000 paying the minimum quarterly fee will realize a higher fee percentage than our stated fee schedule. For example, an account valued at \$15,000 paying the minimum quarterly fee (\$125) would effectively be paying an annualized fee of 3.33%.

The Annual Fee shall be paid in quarterly installments (each, a "Quarterly Fee") that shall be deducted in advance by the Firm from Client's Account. The Firm reserves the right to increase the Annualized Fee in the event that there is excessive turnover in Client's Account upon ten (10) days written notice to Client. Client acknowledges that the Quarterly Fee may be more than the commissions that might otherwise accrue under the Firm's regular commission rates. Client further acknowledges that the Quarterly Fee will be based upon all assets in the Account.

The billable value of the account will be based upon the long market value of all securities, including money markets, cash and free credit balances, in the account and is not reduced by margin debit balances or the market value of short positions within the account. The value is based upon the closing market value of the securities in the account on the last trading day of the last month of

each calendar quarter (March, June, September, and December). Client authorizes the Firm to deduct the Quarterly Fee from the Account in the following order:

- from any free credit balances in the Account;
- from the balances in the Firm's Insured Deposit Program (IDP);
- from the balances in any money market funds;
- from the proceeds received by liquidating securities positions.

The initial Quarterly Fee shall be payable to the Firm within five (5) days of the Firm accepting the Client Agreement based upon the value of the Account on the date of acceptance for the partial calendar quarter beginning on such date. Thereafter, the Quarterly Fee shall be payable on the first business day of each succeeding calendar quarter based upon the billable value of the Account as reflected on the quarter month end statement. Quarterly Fee payments will be adjusted for deposits in excess of \$5,000 made by Client to the Account on a pro rata basis. The Client will be entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after termination.

No adjustment to the Annualized Fee shall be applicable unless and until it is approved in writing by the Firm.

The fee payable covers all investment advisory services rendered by Scott & Stringfellow as well as commissions, mark-ups and other transactional charges applicable to securities transactions effected for the Account with or through Scott & Stringfellow. The fee also covers custodial services, and other Account related services provided by Clearview.

The fee payable pursuant to the Program Agreement does not cover, and the Client will be additionally responsible and charged for: commissions, mark-ups, spreads and other transactional charges on securities transactions effected with or through brokers and dealers other than Scott & Stringfellow, interest on debit account balances, where applicable; the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer involved in a distribution of securities; bid-ask spreads; odd-lot differentials; exchange fees, pass-through fees, transfer taxes on other fees required by law; Individual Retirement Account (IRA) fees, qualified retirement plan account fees, postage & handling fees and other account maintenance fees; Scott & Stringfellow's usual and customary transaction charges on the liquidation of assets not eligible for the S&S Advisor Program; management and other fees on open-end, closed-end and exchange traded mutual funds and UITs; margin interest; any contingent deferred sales charge assessed by a Mutual Fund company on the sale or liquidation of a mutual fund; check reordering cost and fees; short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within short periods of time. These short-term trading charges are imposed by

the mutual funds to deter "market timers" who trade in fund shares.

The Firm reserves the right to terminate the Program Agreement for accounts whose value falls below the minimum account value of \$25,000. The Program Agreement may be terminated at any time by Client or the Firm upon written notice to the other party. Termination by Client shall not affect Client's obligations and liabilities with regard to transactions executed prior to such termination. In the event of the termination of the Program Agreement, the Firm shall be under no obligation to liquidate or purchase any securities.

Transactions completed after the termination of the S&S Advisor Account will be charged commissions according to and consistent with the rates customarily charged by Scott & Stringfellow in an ordinary transaction-based, non-discretionary brokerage account. Termination of the S&S Advisor Account will not affect either party's responsibilities under the Program Agreement for previously initiated transactions or for balances or fees due.

#### 7. Financial Planning

The Firm may charge a fee of \$500 for this service. Under certain circumstances the financial planning fee may be negotiable. The fee does not include transaction execution services, either at Scott & Stringfellow or any other broker-dealer.

#### 8. Qualified Plan Sponsors & Participants

Charges to the Plan Sponsor or Plan Participant could include a one-time setup fee and/or an annual fee based upon a percentage of the assets contained in the plan, or a specified flat fee to be agreed upon by the Plan Sponsor or Plan Participant and the IAR. The signed agreement will continue in force from year to year, unless one party notifies the other in writing, no less than 45 days prior to the desired termination date. The Plan Sponsor or Plan Participant also has the right to terminate the agreement within five (5) business days of the execution of the agreement, without penalty, by providing the IAR with written notice of such election to rescind. The Plan Sponsor and/or Plan Participant are not required to hold their accounts with the Firm.

#### 9. Discretionary Advisory Account Services

Clients with discretionary commission-based accounts are typically charged the Firm's standard commission schedule at the time each transaction takes place in their account. Under certain circumstances, Scott & Stringfellow may enter into commission arrangements with clients that are different than the Firm's standard commission structure. A commission-based arrangement may not be appropriate for customers who anticipate engaging in a higher level of trading activity, as substantially greater transaction costs may be incurred than compared to a fee-based commission structure.

Scott & Stringfellow will not be compensated based on assets under management for these accounts. Scott & Stringfellow will also not be compensated on the basis of a share of capital gains or on capital appreciated of the funds or any portion of the funds of the client.

#### 10. Sterling Capital Funds

Scott & Stringfellow serves as a sub-advisor to Sterling Capital Funds (the funds are distributed by Sterling Capital Distributor, Inc.) for certain funds offered by Sterling Capital Funds. Scott & Stringfellow is paid a fee by Sterling Capital Funds based on the assets under management under a sub-advisory agreement signed by both parties.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge advisory fees based on the capital appreciation of the funds or securities in a client account (so-called performance-based fees). Our advisory fee compensation for each of our Programs is disclosed above in Item 5.

### **Item 7 – Types of Clients**

We generally provide our services to the following types of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Taft-Hartley plans, governmental plans, municipalities
- Not-for-profit entities
- Private equity firms (Consulting only)
- Mutual fund sponsors
- Outside investment platforms

The minimum account size we generally require to open or maintain an account is \$100,000. See Item 5 above for the minimum account sizes of each of our various Programs.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss Analysis**

For a description of the methods of analysis and investment strategies of each of our Programs, see Item 4B above. These methods vary widely across the Firm and Managers. Security analysis methods include charting, fundamental, technical and cyclical analysis. Investment strategies used to implement advice given to clients may include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and approved option writing.

## **Risk of Loss**

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized. As you know, stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

## **Item 9 – Disciplinary Information**

As a registered broker-dealer and investment advisor, we from time to time are subject to disciplinary actions from our regulators. Such disciplinary actions have historically been and are currently disclosed on our Forms BD and ADV Part 1. We disclose the following disciplinary events which occurred within the last ten (10) years which we believe may be material to you when evaluating us to initiate or continue a Client/Adviser relationship with us.

On April 15, 2002, NASD Regulation, Inc. initiated a regulatory action against the applicant (Docket #CMS020106 AWC). The allegations related to this action are NASDR alleged that Scott & Stringfellow, Inc. ("S&S") failed to use reasonable diligence to ascertain the best inter-dealer market for selected transactions during the period July 1, 1999 through September 30, 1999. Without admitting or denying the allegations, Scott & Stringfellow, Inc. ("S&S") entered into a letter of Acceptance, Waiver and Consent ("AWC") relating to certain account transactions during the period July 1, 1999 through September 30, 1999, relating to S&S's diligence in ascertaining the best inter-dealer market for selected customer orders. On June 27, 2002, S&S agreed to a censure, to pay a fine of \$15,000, and to make restitution to customers of \$4,861.13 plus interest.

On October 16, 2003, the New York Stock Exchange initiated a regulatory action against the applicant (Docket #03-207). The allegations related to this action are violations of Rules 15c3-3(E)(1) and 15c3-3(E)(1)/01. It was alleged that applicant transacted options from branch where supervisor is not properly qualified, and failed to properly compute its customer reserve requirement and deposited the special reserve funds into a money market deposit account that exceeded the amount permitted by the Rule. In May 2000, two of S&S former brokers executed options contracts in their personal accounts in a manner designed to evade S&S's Compliance Procedures. During the applicant's investigation into the trading the applicant determined that the branch office where these individuals worked did not have a ROP. The applicant has subsequently revised its procedures and the branch manager is now registered as a ROP. In an unrelated matter, S&S

determined that one of its employees made an error in a spreadsheet calculation that caused a hindsight deficiency in the applicant's reserve deposit for the week of November 22, 2002. The applicant corrected the error and notified the SEC and MFR immediately. In conjunction with this error, the applicant exceeded the amount of allowable deposits into a money market deposit account. Upon discovery, the applicant took corrective action, and subsequently revised its procedures so that an automated system performs these calculations. Without admitting or denying the allegations, S&S consented to a censure and a \$50,000.00 fine to resolve these matters.

On March 8, 2004, NASD Regulation, Inc. initiated a regulatory action against the applicant (Docket #CMS040022 AWC). NASDR alleged that S&S failed to use reasonable diligence to ascertain the best inter-dealer market for selected transactions during the period April 1, through June 30, 2002. Without admitting or denying the allegations, S&S entered into a letter of Acceptance, Waiver and Consent ("AWC") relating to certain account transactions during the period April 1, through June 30, 2002, relating to S&S's diligence in ascertaining the best inter-dealer market for selected customer orders. On January 22, 2004, S&S agreed to a censure, to pay a fine of \$25,000, and to make restitution to customers of \$615.43 plus interest.

On September 13, 2004, NASD Regulation, Inc. initiated a regulatory action against the applicant (Docket #CMS040159). NASD alleged that S&S failed to use reasonable diligence to ascertain the best inter-dealer market for selected transactions during the period January 1, through March 31, 2003. Without admitting or denying the allegations, S&S entered into a Letter of Acceptance, Waiver and Consent ("AWC") relating to certain account transactions during the period January 1, through March 31, 2003, relating to S&S's diligence in ascertaining the best inter-dealer market for selected customer orders. On October 14, 2004, the NASD agreed to accept S&S's AWC wherein S&S agreed to a censure, to pay a fine of \$35,000, to revise its written supervisory procedures and to make restitution to customers of \$595.20 plus interest.

On November 14, 2005, NASD Regulation, Inc. initiated a regulatory action against the applicant (Docket #20042000064-01AWC). NASD alleged that: (i) on 39 occasions during the period of September 4, 2002 through December 31, 2002, the Firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved its bid or offer in each such security or when the order was priced equal to the Firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a de minimis change in relation to the size associated with the Firm's bid or offer in each such security, in violation of Securities Exchange Act Rule 11Ac1-4; (ii) During the same period, the Firm transmitted to OATS 15 reports that contained inaccurate, incomplete, or improperly formatted data in



that the reports omitted a special handling code of not held and six reports that contained inaccurate, incomplete, or improperly formatted data in that the reports omitted all subsequent order events, in violation of NASD Rules 6955(a) and 2110; (iii) the Firm's supervisory system was inadequate with respect to limit order display in that the Firm's exception reports for monitoring compliance with the limit order display rule failed to identify the violations described above and such supervisory system did not include written supervisory procedures providing for a statement of the supervisory steps to be taken by the person(s) responsible for supervision with respect to the applicable rules, in violation of NASD Rules 2110 and 3010 and (iv) the Firm incorrectly distributed or published, or caused to be distributed or published, 139 reports of a purchase or sale of municipal bonds that were not required to be distributed or published, in violation of MSRB Rule G-14. On November 14, 2005, the NASD agreed to accept S&S's AWC wherein S&S agreed to a censure, to pay a fine of \$37,500, and an undertaking to revise the Firm's written supervisory procedures to address the alleged inadequacies described above.

On August 29, 2005, NASD initiated a regulatory action against the applicant. NASD alleged that, between February 1, 2004 and May 31, 2004, the applicant, Bergen Capital, Inc. (CRD# 46348) who merged into the broker dealer, Scott & Stringfellow, Inc. on January 4, 2006, failed to record the time of receipt on certain municipal order tickets in violation of municipal securities rulemaking board rule g(8)(a)(vii), section 17(a) of the securities exchange act of 1934, rule 17a-3 thereunder and NASD conduct rules 3110 and 2110. (Docket/Case Number #E9B2004001503). The applicant consented to censure and payment of a fine in the amount of \$7,500 pursuant to the Letter of Acceptance, Waiver and Consent with respect to such matter ("AWC"). The fine was paid by the applicant on September 16, 2005. The applicant consented, without admitting or denying the allegations, to the issuance of the AWC. The AWC was accepted by the NASD on August 29, 2005.

On November 22, 2005, NASD initiated a regulatory action against the applicant. NASD alleged that, between July 15, 2003 and December 31, 2004, the applicant, Bergen Capital, Inc. (CRD# 46348) who merged into the broker dealer, Scott & Stringfellow, Inc. on January 4, 2006, disseminated to the investing public 17 pieces of advertising and sales literature relating to municipal, corporate, and government bonds that allegedly violated NASD conduct rules 2210 and 2110 (Docket/Case Number # EAF0401260002). Thirteen of these pieces were radio advertisements broadcast on three New York metropolitan area radio stations that allegedly minimized the risks associated with bond investing and contained allegedly misleading and promissory language. The applicant also used two websites and two newsletters that were allegedly misleading and omitted allegedly necessary disclosures in violation of NASD conduct rules 2210 and 2110. Ten pieces of advertising or sales literature allegedly omitted material information and 10 communications included allegedly

misleading, unwarranted or exaggerated statements or claims. In addition, seven of the applicant's radio advertisements and one of its websites allegedly violated SIPC rules applicable to communications with the public. The applicant consented to censure, payment of a fine in the amount of \$115,000 and an undertaking to file with the NASD's advertising regulation department ("ARD") all sales literature and advertisements at least 15 days prior to their first use until the earlier of six months from the acceptance by the NASD's national adjudicatory council ("NAC") of the Letter of Acceptance, Waiver and Consent with respect to this matter ("AWC") or such time as the form BDW of Bergen Capital, Inc. becomes effective. The fine was paid by the applicant on December 13, 2005. The applicant consented, without admitting or denying the allegations, to the issuance of the AWC. The AWC was accepted by NASD on November 23, 2005.

On June 26, 2006, the New York Stock Exchange ("NYSE") initiated a regulatory action against the applicant (Docket/Case Number #HPD 06-98). The NYSE Division of Enforcement alleged that on 2 occasions between January 2003 and March 2003 S&S's Branch Office Manager approved erroneous trades, after the corrections were made, in violation of Rule 410, that on 6 occasions, as a result of cumulative purchases, customers purchases of Class B mutual funds exceeded recommended purchase amounts in the fund prospectus, and that the firm did not have adequate procedures concerning pre-dissemination review of internal e-mail by a research analyst. S&S consented without admitting or denying guilt, to the entry of stipulation and consent, that was accepted by an NYSE Hearings Officer on June 26, 2006.

In the consent, without admitting or denying guilt, S&S agreed to a censure and to the payment of a fine of \$75,000.

On June 29, 2006, the NASD initiated a regulatory action against the applicant (Docket/Case Number #E9A2004009101). It was alleged that between July 1, 2004 and September 30, 2004 S&S failed to timely report 6 transactions to the MSRB in violation of Rule G-14 and that between June 2002 and February 2004 S&S failed to timely file statements to the MSRB for 17 transactions in violation of Rule G-36. S&S consented to the payment of a fine in the amount of \$5,000 pursuant to the Letter of Acceptance Waiver and Consent ("AWC"). S&S consented without admitting or denying the allegations to the issuance of the AWC. The AWC was accepted by the NASD on June 26, 2005.

On August 16, 2006, the Virginia State Corporation Commission, Securities Division initiated a regulatory action against the applicant (Docket/Case Number #2006-00032). The Division alleged that one of Scott & Stringfellow, Inc.'s ("S&S") registered representatives made an unsuitable recommendation to sell part of a variable annuity and purchase mutual funds to one customer, and thus, that S&S failed to properly supervise the registered representative. While S&S and the registered representative believe they had meritorious defenses to the allegations, without admitting or denying the allegations and in order to avoid the expense of litigation, S&S and its registered representative agreed

to the consent order, fully resolving the matter. The consent order levied a fine of \$6,000. S&S was charged with \$4,000 and the registered representative was charged with the remaining \$2,000. S&S was also charged an additional \$2,000 in investigative charges. The registered representative was placed under heightened supervision for solicited mutual fund sales for a period of 12 months. The consent order was executed by the Securities Division on September 1, 2006.

On July 30, 2007, FINRA initiated a regulatory action against the applicant (Docket/Case Number #2006003791101). It was alleged that between December 17, 2004 and March 31, 2006, S&S failed to timely report 16 transactions to the MSRB and that it failed to file one Form G-36 (05) and final official statement to the MSRB in violation of Rule G-36. S&S consented, without admitting or denying the allegations, to the issuance of the Acceptance Waiver and Consent ("AWC"), and to the payment of a fine in the amount of \$7,500 pursuant to the AWC. The AWC was accepted by the FINRA on July 30, 2007.

On August 6, 2009, FINRA initiated a regulatory action against the applicant (Docket/Case Number #2008011754301). It was alleged that between June 27, 2006 and June 6, 2008, the firm failed to report on a Form G-37 eight (8) instances in which it had participated in negotiated securities underwriting activities. The firm consented, without admitting or denying the findings, to the issuance of the letter of Acceptance, Waiver and Consent ("AWC"), and to the payment of a fine in the amount of \$10,000 pursuant to the AWC. The AWC was accepted by FINRA on August 6, 2009.

On September 17, 2009, FINRA initiated a regulatory action against the applicant (Docket/Case Number #2006004160701). As a result of a series of TMMS, TRACE and short sale reporting examinations covering the November 1, 2005 through 2007 period, FINRA alleged that the firm had some violations regarding individual registrations, Rule 10b-10, Rule 606 and Rule 605, TRACE reporting, short sale reporting and written supervisory procedures. The firm consented, without admitting or denying the findings, to the issuance of the letter of Acceptance, Waiver and Consent ("AWC"), to the payment of a fine in the amount of \$72,500, and to revise certain written supervisory procedures, pursuant to the AWC. The AWC was accepted by FINRA on September 17, 2009.

On January 6, 2010, the Commonwealth of Virginia, State Corporation Commission, initiated a regulatory action against the applicant (Docket/Case Number #SEC-2009-00112). The Virginia State Corporation Commission's Division of Securities and Retail Franchising alleged that the Firm violated Commission Rules 21 VAC 5-20-260A and B, and 21 VAC 5-20-580A3 and A18 in connection with the Firm's marketing and sale of auction rate securities to Virginia residents. Prior to entering into this settlement with the Virginia State Corporation Commission, the Firm offered to purchase, at par, auction rate securities ("ARS") from certain

eligible customers ("Offer"). As part of the settlement, the Firm undertook to: abide by the terms and conditions of its Offer; make up the difference paid to any eligible customers who sold ARS below par; reimburse eligible customers for expenses on ARS secured loans; and participate in FINRA's ARS Arbitration Program. Although the Firm believed that it had meritorious defenses to the allegations, to avoid the uncertainty and expense of litigation, and without admitting or denying the allegations, the Firm settled the matter. The Order was entered by the Virginia State Corporation Commission on January 6, 2010.

On May 27, 2010, the Commonwealth of Virginia, State Corporate Commission (the "Commission"), initiated a regulatory action against the applicant (Docket/Case Number #SEC-2010-00091). The Commission alleged that the firm violated Securities Rule 21 VAC 5-20-260 B for inadequate supervision in connection with a former registered representative's recommendation and sale of allegedly unsuitable securities to a customer. Without admitting or denying the allegations, and to avoid the cost and uncertainty of continued investigation by the Commission, the firm agreed to the entry of a settlement order, fully and finally resolving the matter with the Commission. The settlement order levied a fine of \$20,000 against the firm. The firm was also charged an additional \$5,000 in investigative charges. The settlement order was executed by the Commission on January 6, 2011. The \$20,000 fine and \$5,000 investigative charges were paid on December 31, 2010 and no portion of either was waived. A \$10,000 rescission offer to the customer was made on January 10, 2011. The registered representative who was the subject of the investigation is no longer employed by the firm.

On June 19, 2012, FINRA accepted a Letter of Acceptance, Waiver and Consent ("AWC") from Scott & Stringfellow, LLC (the "Firm") (Case Number 20090195365). The allegations are as follows: During the period from January 2008 through June 2009 (the "Relevant Period"), Scott & Stringfellow failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable NASD and/or FINRA rules in connection with the sale of leveraged, inverse, and inverse-leveraged Exchange-Traded Funds ("Non-Traditional ETFs"). Non-Traditional ETFs have certain risks that are not found in traditional ETFs, such as the risks associated with a daily reset, leverage and compounding. The performance of Non-Traditional ETFs over longer periods of time can differ significantly from the performance of their underlying index or benchmark, especially in volatile markets. Nonetheless, Scott & Stringfellow supervised Non-Traditional ETFs the same way it supervised traditional ETFs. Thus, Scott & Stringfellow failed to establish a reasonable supervisory system and written procedures to monitor the sale of Non-Traditional ETFs. Scott & Stringfellow also failed to establish adequate formal training regarding Non-Traditional ETFs during the Relevant Period. In addition, certain Scott & Stringfellow registered representatives did not have an

adequate understanding of Non-Traditional ETFs before recommending these products to retail brokerage customers. Certain Scott & Stringfellow registered representatives also made unsuitable recommendations of Non-Traditional ETFs to certain customers with the primary investment objectives of income or capital preservation. The Firm consented, without admitting or denying the findings, to the imposition of the following sanctions in the AWC, namely a censure and a fine in the amount of \$350,000. The Firm paid the fine on June 27, 2012

## **Item 10 – Other Financial Industry Activities and Affiliations**

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Scott & Stringfellow is a registered broker-dealer.

BB&T Investment Services, Inc., a FINRA member broker-dealer and a state registered investment adviser, is a wholly-owned subsidiary of BB&T Corporation, a bank holding company.

Scott & Stringfellow serves as a sub-advisor to Sterling Capital Funds (the funds are distributed by Sterling Capital Distributor, Inc.) for certain funds offered by Sterling Capital Funds. Scott & Stringfellow is paid a fee by Sterling Capital Funds based on the assets under management under a sub-advisory agreement signed by both parties.

Clearview, a FINRA member clearing broker-dealer of securities, is a wholly-owned subsidiary of BB&T Corporation. Clearview acts as the clearing firm for Scott & Stringfellow.

Scott & Stringfellow is affiliated by common ownership with SHDR Investment Advisers and Sterling Capital Management LLC, which are wholly-owned subsidiaries of BB&T Corporation and are SEC-registered investment advisers.

BB&T Insurance Services, Inc. is a wholly-owned subsidiary of Branch Banking and Trust Company.

Scott & Stringfellow's affiliated advisers (BB&T Investment Services, Inc., Sterling Capital Management and SHDR Investment Advisers, Inc.) may manage limited partnerships or other private funds. A complete list of partnerships managed by these companies can be obtained by viewing each respective adviser's ADV Part I, Schedule D, Section 7.B. Scott & Stringfellow's customers are not solicited to invest in any of the affiliated companies' limited partnerships.

## **Item 11 – Code of Ethics**

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We have adopted an Investment Advisory Code of Ethics based on the principle that all Investment Advisory Representatives have a fiduciary duty to place the interest of clients ahead of their own. This Code of Ethics is designed to (i) ensure we meet our fiduciary obligations to you, our Client, and (ii) foster and maintain a Culture of Compliance within our Firm. On an annual basis, all Investment Advisory Representatives are required to certify in writing that they are aware and will abide by the principles of the Code. We also

supplement the Code with annual training and on-going monitoring of investment advisory activity.

Our Code includes the following:

- Requirements related to the confidentiality of our Client;
- Policies relating to conflicts of interest;
- Prohibitions on:
  - Insider trading;
  - Use of proprietary information, and
  - Rumor mongering;
- Policies relating to employee and Firm transactions;

Our Code does not prohibit personal trading by employees or proprietary trading by our Firm. As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we or our employees may purchase or sell the same or similar securities (or securities that are suitable for a Firm or employee or related account but not suitable for any client, including you) at the same time that we place transactions for your account and the accounts of our other Clients.

On an annual basis, we require all Investment Advisory Representatives to re-certify to our Code. Individuals who are designated as "Access Persons" are required to make quarterly reports to Compliance of all securities transactions made in their covered accounts. By January 31<sup>st</sup> of each year Access Persons must also file an Annual Holdings Report.

You may request a complete copy of our Code by contacting us at the address or telephone number on the cover page of this Brochure; attn.: Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

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### **1. Spectrum Investment Program**

Scott & Stringfellow will perform no discretionary acts with respect to the account of a client for which it has acted in an investment advisory capacity only by assisting the client in selection of an independent investment adviser. For such clients, Scott & Stringfellow is appointed as primary broker for the execution of purchase and sale transactions as directed by the independent investment adviser managing the client's account. Accounts will be carried by Clearview who will serve as custodian and process trade executions. In the execution of such transactions, Scott & Stringfellow may act as agent or as principal. The independent investment adviser may choose to effect a securities transaction on behalf of an account through or with a broker or dealer other than Scott & Stringfellow. Such transactions will be effected (other than through Scott & Stringfellow) only when the independent investment adviser reasonably believes that such other broker or dealer may effect such transaction at a price, including any brokerage commission or dealer mark-up or mark-down, that is more favorable to the

account than would otherwise be the case if the transaction were effected through Scott & Stringfellow.

## 2. CHOICE Portfolios

As a general matter, Scott & Stringfellow considers it appropriate to use its own execution services for the purchase and sale of securities involved in its CHOICE program. Clients of the CHOICE Investment Advisory Services can elect to have execution services done away from Scott & Stringfellow.

Under CHOICE, Scott & Stringfellow effects securities transactions as agent or, where permitted by law, as principal for clients but receives no additional brokerage execution compensation for the account. Clients authorize Scott & Stringfellow to effect brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder. Scott & Stringfellow's CHOICE portfolio managers also are authorized to purchase for their own accounts securities that are purchased for clients subject to Scott & Stringfellow's Code of Ethics.

It is Scott & Stringfellow's practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security for the accounts of CHOICE (including employee, Scott & Stringfellow or Scott & Stringfellow affiliates' CHOICE accounts), in order to seek a lower commission or more advantageous net price. The benefit, if any, obtained as a result of such aggregation generally is allocated *pro rata* among the accounts of CHOICE.

### Investment Advisory Program ("Program")

Scott & Stringfellow will perform no discretionary acts with respect to the account of a client for which it has acted in an investment advisory capacity only by assisting the client in selection of an independent investment adviser. For such clients, Scott & Stringfellow is appointed as primary broker for the execution of purchase and sale transactions as directed by the independent investment adviser managing the client's account. Accounts will be carried by Clearview who will serve as custodian and process trade executions. In the execution of such transactions, Scott & Stringfellow may act as agent or as principal. The independent investment adviser may choose to effect a securities transaction on behalf of an account through or with a broker or dealer other than Scott & Stringfellow. Such transactions will be effected (other than through Scott & Stringfellow) only when the independent investment adviser reasonably believes that such other broker or dealer may effect such transaction at a price, including any brokerage commission or dealer mark-up or mark-down, that is more favorable to the account than would otherwise be the case if the transaction were effected through Scott & Stringfellow.

## 3. Unified Managed Account Program ("UMAP")

As a general matter, Scott & Stringfellow considers it appropriate to use its own execution services for the purchase and sale of securities involved in its UMAP program. In no event will the Firm be obligated to execute any transaction which it believes would violate applicable state or federal law or regulations of any self-regulatory body of which it is a member at the time of the transaction. The Firm or Manager may direct transactions to another broker-dealer in its own discretion, including when legal execution obligations so require. Client hereby authorizes the Firm or its affiliates to effect and execute brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934 and the rules promulgated thereunder and any future amendments or changes to such statutes and rules.

The Firm will inform the Client when a new Account is opened, on an annual basis thereafter and on transaction confirmation slips, of payment for order flow practices (compensation received by placing orders through certain broker-dealers, exchanges, Nasdaq, or exchange members). To provide its Clients with the best execution price for their trades, orders placed through the Firm will be routed to primary exchanges and other market centers, including regional securities exchanges and dealers which make markets over-the-counter. In an effort to obtain the best execution price, the Firm may consider several factors, including price improvement opportunities (executions at prices superior to the then prevailing inside market on Nasdaq or national best bid or offer for listed securities), regardless of whether the Firm will receive cash or non-cash payments for routing order flow and reciprocal business arrangements. The Firm may receive remuneration for directing orders to particular broker-dealers or market centers for execution.

The Manager will act as a principal in transactions only if, prior to each such transaction, the Manager discloses in writing to Client the capacity in which it is acting and obtains Client's written consent before the execution of the transaction. Client hereby authorizes the Firm to act as a principal in transactions to the extent permitted by applicable law and subject to applicable restrictions.

In addition, there may be instances when the Firm or an affiliate or the Manager will have an opportunity to act as agent for both buyer and seller in a securities transaction. This is called an "agency cross transaction." Because the Firm or Manager would receive compensation from each party to such an agency cross transaction, there is a potential conflict of interest. By signing the Client Agreement, Client is giving the Firm and Manager permission to do agency cross transactions for the Account when the Firm or the Manager considers them advisable. Client may revoke this consent at any time by notifying the Firm in writing.

It is Firm and Manager practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security for the Accounts of several Clients and, occasionally, our affiliates, in order to seek a lower commission or more

advantageous net price. The benefit, if any, obtained as a result of such aggregation generally is allocated pro-rata among the Accounts of Clients and affiliates who participated in the aggregated transaction. The Firm and Manager allocate trades among Clients and affiliates in accordance with the Firm's written procedures.

#### 4. Professional Management Program ("PMP")

As a general matter, Scott & Stringfellow considers it appropriate to use its own execution services for the purchase and sale of securities involved in its PMP services. On occasion, clients may designate, or legal requirements may indicate, the use of other brokers.

Under PMP, Scott & Stringfellow effects securities transactions as agent, or, where permitted by law, as principal for clients but receives no additional brokerage execution compensation for the account. Clients authorize Scott & Stringfellow to effect and execute brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder. Scott & Stringfellow's PMP Financial Advisors also are authorized to purchase for their own account securities that are purchased for clients. It is Scott & Stringfellow's practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security for the accounts of several PMP clients, in order to seek a lower commission or more advantageous net price. The benefit, if any, obtained as a result of such aggregation generally is allocated *pro rata* among the accounts of clients which participated in the aggregated transaction.

#### 5. S&S Advisor

Scott & Stringfellow will perform no discretionary acts with respect to the account of an S&S Advisor client. Consistent with Scott & Stringfellow's duty to the Client to seek and obtain best execution on securities transactions, most securities transactions will be effected with and through Scott & Stringfellow. Any principal and agency cross transactions will be effected through Scott & Stringfellow only to the extent and in the manner permitted by applicable law, rules and regulations. In any case, Scott & Stringfellow receives no additional brokerage execution compensation for the account. With respect to securities transactions effected through Scott & Stringfellow, Scott & Stringfellow may aggregate contemporaneous purchase or sell orders for the same securities with orders of other customers in accordance with applicable legal and regulatory guidelines.

S&S Advisor accounts are permitted to purchase certificates of deposit on a principal basis in accordance with the provisions of SEC temporary principal trading relief rule 206(3)-3T under the Investment Advisors Act of 1940 and upon meeting all Firm requirements. This principal trading relief rule is due to sunset December 31, 2012.

## Item 13 – Review of Accounts

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### 1. Spectrum Investment Program

Scott & Stringfellow assists clients of other brokers in the selection of investment advisers that are suitable for the client's investment objectives. Scott & Stringfellow does not have discretionary authority over the assets in these accounts, and does not supervise such accounts on a daily basis. On a quarterly basis, the investment broker reviews the investment adviser's performance using reports provided by Scott and Stringfellow and the investment adviser. At each quarterly review, the investment adviser's performance and adherence to the client's investment strategy are measured against objective criteria. The Financial Advisor typically meets with the client on a quarterly basis to review these results

Those clients who have independent investment advisers have available a quarterly analysis of the portfolio from Scott & Stringfellow, and in some cases, the independent investment adviser as well. The quarterly analysis provides the following for each security in the portfolio: details of investment earnings, performance tracking (for the quarter and since inception), and returns compared to appropriate benchmarks. Additional reports to clients provided by Clearview include account statements (itemizing all cash and securities transactions, dividends and interest received, all deposits and withdrawals of principal and income during the preceding calendar month), and statements of securities in custody listing securities held in the account.

Spectrum Investment Program clients have the option to receive individual trade confirmations from Clearview reflecting all securities transactions executed through Scott & Stringfellow. Clients may elect to receive or not to receive a confirmation for each securities transaction, which election may be rescinded at any time.

### 2. CHOICE Portfolios

For the CHOICE Wrap Fee Program, the client's investment objective and strategy are reviewed for approval and consistency with CHOICE guidelines for each particular portfolio when each CHOICE account is opened. The Firm and its advisors are responsible for the continuous monitoring of the activity in their clients' fee-based accounts to ensure the respective advisory program is appropriate. The Firm's Centralized Supervision Unit (CSU) group is responsible for the daily review of S&S's advisory accounts. The reviews are conducted through the Firm's trade surveillance program Protegent. The Financial Advisor for the account will meet with the client no less than annually to determine if the client's financial status has changed.

Clearview provides CHOICE clients with periodic reports of relevant activity. Each CHOICE Wrap Fee Program account will receive: (1) confirmation of each transaction in securities (except money market fund transactions); (2) monthly statements of account; and (3) annual summary of transactions and dividend and interest statements. At

account inception CHOICE clients may elect not to receive a confirmation for each securities transaction, which election may be rescinded at any time.

3. Investment Advisory Program ("Program")

Scott & Stringfellow assists clients of other brokers in the selection of investment advisers that are suitable for the client's investment objectives. Scott & Stringfellow does not have discretionary authority over the assets in these accounts, and does not supervise such accounts on a daily basis. On a quarterly basis, the investment broker reviews the investment adviser's performance using reports provided by Scott and Stringfellow and the investment adviser. At each quarterly review, the investment adviser's performance and adherence to the client's investment strategy are measured against objective criteria. The Financial Advisor typically meets with the client on a quarterly basis to review these results.

Those clients who have independent investment advisers have available a quarterly analysis of the portfolio from Scott & Stringfellow, and in some cases, the independent investment adviser as well. The quarterly analysis provides the following for each security in the portfolio: details of investment earnings, performance tracking (for the quarter and since inception), and returns compared to appropriate benchmarks. Additional reports to clients provided by Clearview include account statements (itemizing all cash and securities transactions, dividends and interest received, all deposits and withdrawals of principal and income during the preceding calendar month), and statements of securities in custody listing securities held in the account.

Investment Advisory Program clients have the option to receive individual trade confirmations from Clearview reflecting all securities transactions executed through Scott & Stringfellow. Clients may elect to receive or not to receive a confirmation for each securities transaction, which election may be rescinded at any time.

4. Unified Managed Account Program ("UMAP")

For the Unified Managed Account Program (UMAP), the client's investment objective and strategy are reviewed for consistency with UMAP guidelines when each account is opened. On a regular and ongoing basis, the Firm reviews the portfolio to ensure that the current allocation is within an acceptable range of the target allocation guidelines. The Firm will rebalance the portfolio if the current allocation deviates outside of the acceptable range of the target allocation. The Financial Advisor for the account will meet with the client no less than annually to determine if the client's financial status has changed which would result in changes to the client's portfolio or investment objectives, risk tolerance and time horizon. The client may at any time place restrictions on his/her account and may change investment objectives, risk tolerance and time horizon.

5. Professional Management Program ("PMP")

For the PMP account, a Scott & Stringfellow wrap fee program, the client's investment objective and strategy are reviewed for consistency with PMP guidelines when each PMP account is opened. The Firm and its advisors are responsible for the continuous monitoring of the activity in their clients' fee-based accounts to ensure the respective advisory program is appropriate. The Firm's Centralized Supervision Unit (CSU) is responsible for the daily review of S&S's advisory accounts. Each month CSU will review a selected sample of advisory accounts which review includes, but is not limited to, suitability, trading volume, cash balance and overall performance. On a quarterly basis, the advisor will review the account's performance and adherence to the Client's investment strategy using the reports provided by Scott and Stringfellow. The advisor will meet with Clients on at least an annual basis. Clearview provides PMP clients with periodic reports of relevant activity. Each PMP account receives: (1) confirmation of each transaction in securities (except money market mutual fund transactions); (2) monthly statements of account; and (3) annual summary of transactions and dividend and interest statements. PMP clients may elect not to receive a confirmation for each securities transaction, which election may be rescinded at any time.

6. S&S Advisor

The S&S Advisor account is a non-discretionary advisory account. Based on the client's investment profile and objectives, the Financial Advisor consults with the client in determining an investment strategy compatible to their objectives and needs and investments most compatible with the investment strategy chosen by the client. The Firm and its advisors are responsible for the continuous monitoring of the activity in their clients' fee-based accounts to ensure the respective advisory program is appropriate. The Firm's Centralized Supervision Unit (CSU) is responsible for the daily review of S&S's advisory accounts. Each month CSU will review a selected sample of advisory accounts which review includes, but is not limited to, suitability, trading volume, cash balance and overall performance. On a quarterly basis, the advisor will review the account's performance and adherence to the Client's investment strategy using the reports provided by Scott and Stringfellow. The advisor will meet with Clients on at least an annual basis.

Clearview provides S&S Advisor clients with periodic reports of relevant activity. Each S&S Advisor account receives: (1) confirmation of each transaction in securities (except money market mutual fund transactions); (2) monthly statements of account; and (3) annual summary of transactions and dividend and interest statements.

## **Item 14 – Client Referrals and Other Compensation**

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Non-employee third-parties who are directly responsible for bringing a client to Scott & Stringfellow; such as accountants, may receive compensation from Scott & Stringfellow. Such agreements will comply with the requirements set out in Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, including the requirement that the relationship between the solicitor and the investment advisor be disclosed to the client at the time of the solicitation or referral. Referral fees are a percentage of the annual management fees earned by Scott & Stringfellow on referred accounts and represent no additional expenses to such accounts. The Client will be requested to acknowledge this arrangement prior to acceptance of the Clients' funds.

In certain cases, applicable state laws may require these third-parties to become either licensed as representatives of Scott & Stringfellow or as independent investment advisors.

## **Item 15 – Custody**

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Clearview may have custody of certain securities held by Client Accounts in our Programs. As part of its clearing function, Clearview is responsible for transmitting monthly account statements to our Client Accounts.

On an exception only basis at the request of the client, a third party custodian other than Clearview may be used. For those clients choosing to use a third party custodian, they may be subject to additional custodial fees charged by and collected by their respective third party custodian. Those clients who use a third party custodian will be charged for custodian fees within the wrap program in addition to any fee assessed by their respective third party custodian.

We urge you to compare the account statement you receive from your qualified custodian and the statements provided by us. For tax and other purposes, the custodial statement is the official record of your account(s) and assets.

## **Item 16 – Investment Discretion**

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For a discussion of Investment Discretion within our Programs, see Items 4B and 12 above.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

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For CHOICE and UMAP accounts where the Firm votes proxies, you may obtain a copy of our Proxy Voting Policies and Procedures which may be updated from time to time upon request by using the address or telephone number on the front page of this Brochure, attn: Chief Compliance officer or contacting your Investment Advisor. In addition, Client will be provided information on how the proxies were voted by the manager upon request of the Investment Adviser.

## **Item 18 – Financial Information**

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Scott & Stringfellow does not charge or solicit pre-payment of fees by clients six months or more in advance. It will bill fees in advance each quarter. Scott & Stringfellow is not aware of any financial conditions or events which are reasonably likely to impair its ability to meet its contractual commitments to its clients.

## **Item 19 – Requirements for State-Registered Advisers**

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N/A