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### Item 1 – Cover Page

Form ADV, Part 2A, Appendix 1, our “Wrap Fee Program Brochure” or “Brochure” for our Spectrum Investment Program, a wrap fee program, 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 and the services relevant to our Spectrum Investment Program. 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 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 and our Spectrum Investment Program. 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 were made since the last filing of our Form ADV Part 2A, Appendix 1, for our Spectrum Investment Program. Our most recent Brochure filing is dated March 31, 2011, which was our last annual filing.
2. This is our annual amendment update which we have filed on the SEC’s Investment Advisers Public Disclosure Website (IAPD), [www.adviser.info.sec.gov](http://www.adviser.info.sec.gov).

3. Effective January 9, 2012, S&S has revised its policy regarding disclosure of disciplinary events on its Form ADV Part 2A, the Appendices thereto, and Form ADV Part 2B. Historically S&S had disclosed on these forms all disciplinary matters in which it was involved and all disciplinary events affecting its financial advisers. S&S now believes that disclosure of all disciplinary events has the potential to cause confusion for its investment advisory customers, particularly when these matters are minor in nature and/or not related to its investment advisory business.

Therefore, S&S has decided to modify its disclosure policy prospectively and only disclose those future disciplinary events which it determines are material to a customer’s evaluation of S&S’s investment advisory business, the integrity of its advisory management, and the integrity and professionalism of its individual financial advisers. The disciplinary events set forth in Items 9.A, 9.B, and 9.C of Form ADV Part 2A and Items 3.A, 3.B, 3.C, 3.D of Form ADV Part 2B are presumed to be material. However, S&S is permitted to rebut this presumption of materiality. In making a determination as to whether a disciplinary event is material or not, S&S will rely on the following factors:

- The proximity of the person involved in the disciplinary event to the advisory function;
- The nature of the infraction that led to the disciplinary event;
- The severity of the disciplinary sanction; and
- The time elapsed since the date of the disciplinary event.

S&S has established a committee consisting of a Firm principal and professionals within S&S’s Compliance Department to review each disciplinary event in which S&S and/or its individual financial advisers are involved and make a determination as to its materiality to an investor’s evaluation of S&S’s investment advisory business. Only when the committee determines that a disciplinary event is material, will S&S disclose the event on its Form ADV Part 2A, the Appendices thereto, and Form ADV Part 2B as appropriate.

S&S will maintain on its Forms ADV all prior disclosures of past disciplinary events for a period of ten years from the date of the event. S&S will continue to disclose all future

disciplinary events, as required, on its broker-dealer Form BD and on the Form ADV Part 1. Customers can access the Form ADV on the SEC website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and the Form BD on the FINRA website, [www.finra.org/Investors/ToolsCalculators/BrokerCheck/](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/). We will also promptly provide copies of all such disclosures to our customers upon their request.

4. We may, at any time, update this Brochure, which you can download from the above SEC Website. You may contact Theresa J. Manderski in our Compliance Department at (804) 782-8798, regarding any questions you have about the Brochure or its contents.

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### Item 4 – Services, Fees and Compensation

#### Spectrum Investment Program

##### 1. Services

Scott & Stringfellow, LLC offers the Spectrum Investment Program (“Spectrum” or the “Program”) to assist 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.

Scott & Stringfellow offers the Spectrum Investment Program as a wrap-fee program, i.e., a program under which a client is charged a specified fee or fees not based directly upon transactions in a client’s account for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisors) and execution of client transactions.

In addition to Spectrum, Scott & Stringfellow offers other Wrap Fee Programs: the CHOICE Portfolios, the Investment Advisory Program, the Professional Management Program, the S&S Advisor Program, and the Unified Managed Account Program. Please contact your Investment Advisor if you would like information about any of these other Wrap Fee Programs.

Scott & Stringfellow offers investment advice in the areas of equity and debt securities, warrants, commercial paper, certificates of deposit, municipal securities, mutual funds, variable annuities, government securities, options contracts on securities, futures contracts on physical commodities and intangibles, commodity pools, and options on futures contracts.

Scott & Stringfellow utilizes charting, fundamental and technical methods of securities analysis for long-term and short-term investing, trading, short sales, margin transactions and option writing including covered options, uncovered options or spreading strategies.

Scott & Stringfellow's main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

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.

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 Correspondent Services, LLC (“Clearview”), an affiliate of Scott & Stringfellow, 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.

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.

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.

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 charges) 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. Refer to the prospectus 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.

Since the wrap fee paid by the client under the Spectrum Investment Program covers all transaction-related costs, the client will not pay separate commissions for purchases or sales of securities for the client's account unless the client directs Scott & Stringfellow to execute transactions in securities with another broker-dealer. Because all transaction related fees are paid for out of the wrap fee, Scott & Stringfellow anticipates that it will fulfill its duty to obtain best price and execution of client orders by effecting those transactions itself as broker. If Scott & Stringfellow effects a transaction for a client through another broker or dealer the net purchase or sale

price reflected on client the confirmations of such trades may reflect brokerage commissions or dealer "mark-ups" or "markdowns."

Scott & Stringfellow may purchase or sell the same security for a number of clients at the same time. Scott & Stringfellow may also buy or sell securities for its own account and for the account of affiliated persons that it recommends to clients and may profit from such transactions. Because of market fluctuations, the prices obtained on such transactions within a single day may vary substantially. In such a case, transactions in the same security for a number of customers, as well as for Scott & Stringfellow and affiliated persons, may be "batched" to allocate more fairly those market fluctuations among the group. In these circumstances, the confirmations and statements for each party's transaction may show that the transaction was effected at a price equal to the average execution price for all transactions in that security on that day.

Scott & Stringfellow, with appropriate disclosure and client consent, may effect transactions for a Spectrum Investment Program client in which it acts as broker for both that client and the other party to the transaction and earn a commission on the trade from that other party. Scott & Stringfellow will do so only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent. Spectrum Investment Program clients may revoke consent to engage in such transactions at any time.

In all of these cases, Scott & Stringfellow may receive compensation or other benefits in addition to the wrap fee it receives from clients and, therefore, may have an incentive to engage in such transactions. Further, Scott & Stringfellow will maintain records of all securities purchased and sold by Scott & Stringfellow, its associated persons, and related entities, which will be available for client inspection upon reasonable request.

## **2. Fees**

Client pays 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, less reasonable administrative and trading costs, will be made to Client if the Account is closed within a quarterly billing period.

Since the Annual Fee or Wrap Fee paid by the client covers all transaction-related costs, the client will not pay separate commissions for purchases or sales of securities for the client's account unless the client directs Scott & Stringfellow to execute transactions in securities with another broker-dealer. Because all transaction related fees are paid for out of the Annual Fee, Scott & Stringfellow anticipates that it will fulfill its duty to obtain best price and execution of client orders by effecting those transactions itself as broker. If Scott & Stringfellow effects a transaction for a client through another broker, the net purchase or sale price reflected on client the confirmations of such trades may reflect brokerage commissions or dealer "mark-ups" or "mark-downs."

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 independent investment 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 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.

Thereafter, such quarterly fee for each succeeding calendar quarter will be based upon the asset value of the client's account on the last day business day of the preceding calendar quarter, as reflected by the custodian's quarterly statement of the client's account. Scott & Stringfellow will pay a portion of the fee payable by the client hereunder, to client's independent investment adviser. Assets deposited in the account during any calendar quarter will be charged a pro-rated fee based on comparison of the number of days remaining in the calendar quarter to the total number of days in the calendar quarter. No adjustment will be made to the fee for account appreciation or depreciation in the value of securities held during any calendar quarter for which such fee is charged.

Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until thirty days after Scott & Stringfellow has notified the client in writing of any change in the schedule of fees that will be applicable to this account, at which time the new schedule will become effective unless the client notifies Scott & Stringfellow that the account is not to be continued under the revised fee schedule.

The wrap fee charged under the Spectrum Investment Program may cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other broker-dealers, and other factors.

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. Prepaid fees 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. The contract between the client and Scott & Stringfellow is separate and distinct from the contract between the client and the independent investment adviser. Upon termination of client's agreement with the independent investment adviser, client's agreement with Scott & Stringfellow will be terminated.

### 3. **Compensation**

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.

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

Under the Spectrum Investment Program the minimum account size is \$100,000. Minimums may vary according to each specific Investment Manager/Portfolio. We ask that you refer to the Program's prospectus for more information.

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 nondiscretionary commission-based investment Account at the Firm.

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)

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

Neither Scott & Stringfellow nor any related entity or person acts as a portfolio manager for Spectrum.

### **Item 7 – Client Information Provided to Portfolio Manager**

Independent investment advisers have access to all client data provided to them by the client as a result of the direct contract entered into by the client with the independent investment adviser. In addition, Scott & Stringfellow will provide the independent investment adviser with basic client information in order to properly manage the client account on an ongoing basis.

### **Item 8 – Client Contact with Portfolio Manager**

Clients may have access to a portfolio manager through various means acceptable to both parties either in-person, by conference call or email.

### **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 material disciplinary events occurring within the last ten (10) years which we believe may be material to you when evaluating us to initiate a Client/Adviser relationship, or to 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' 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.

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

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 and NYSE 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 and Spectrum are 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.

#### **Code of Ethics**

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.

#### **Review of Accounts**

For the 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 the 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.

Clients 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. At account inception these clients may elect to receive or not to receive a confirmation for each securities transaction, which election may be rescinded at any time. In addition, the Scott & Stringfellow report also compares the independent investment adviser's performance to selected industry indexes over the same time period. The Financial Advisor typically meets with the client on a quarterly basis to review these results.

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

Non-employee third-party consultants 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-party consultants to become either licensed as representatives of Scott & Stringfellow or as independent investment advisors.

#### **Financial Information**

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 10 – Requirements for State-Registered Advisers**

N/A