

Folger Nolan Fleming Douglas Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Folger Nolan Fleming Douglas Capital Management, Inc. (“CMI”). If you have any questions about the contents of this brochure, please contact Neil C. Folger, Executive Vice President, at 202-626-5220. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about CMI is also available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

There have been no material changes since the last annual update of the firm's brochure dated March 31, 2013. Non-material changes since that date appear in the remainder of the brochure.

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Advisory Business

CMI was founded in 1978 as a division of Folger Nolan Fleming Douglas Incorporated (“FNFD”), a dually registered broker-dealer and investment adviser, and is now a wholly owned, indirect subsidiary of FNFD. FNFD is principally owned by Lee M. Folger and John D. Folger through limited partnerships and corporations.

CMI provides discretionary investment management services to clients and has full power and authority to buy and sell stocks, bonds and other securities for their accounts. CMI generally manages client accounts using a buy and hold strategy. Each account is customized to the investment objectives and risk tolerances of the client and is managed individually. Trades for clients are generally placed on an account by account basis. Clients may request that restrictions be imposed on investment in certain securities or types of securities or on the amount of certain securities or types of securities in their portfolios.

CMI’s buy and hold strategy is based on the principle that investments on behalf of clients will generally be held for the longer term. CMI invests in equity securities, almost all of which have large market capitalizations and are widely traded in public securities markets. For clients seeking fixed income investments, CMI invests in U. S. Treasury securities, Agency securities, municipal bonds and corporate fixed income securities. Exchange traded funds (“ETFs”) may be purchased in order to gain exposure to international and U.S. small and mid-cap securities and certain market sectors, such as biotechnology, information technology, and other sectors and markets.

The Investment Policy Committee (“IPC”) of CMI maintains a list of equity securities that may be purchased for client accounts for which CMI provides discretionary management services (“Buy List”). The members of the IPC are Neil C. Folger, who serves as Chair, David M. Brown and Richard S. Foster. Neil C. Folger is a Senior Portfolio Manager of CMI and a Registered Principal of FNFD. David M. Brown is a Senior Portfolio Manager of CMI and a Registered Representative of FNFD. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD and a Registered Principal of FNFD. Periodically, the IPC adds securities to or deletes securities from the Buy List based on recommendations by CMI Senior Portfolio Managers.

CMI also provides non-discretionary investment advisory services to a limited number of clients.

At December 31, 2013, CMI managed \$721,630,741 of client assets on a discretionary basis and \$19,196,307 of client assets on a non-discretionary basis.

Fees and Compensation

CMI generally requires a minimum of \$500,000 in assets for new accounts. This minimum account size may be waived under certain circumstances, based on analysis of the relationship of the account to other accounts managed by CMI, the potential for growth in the account, the nature and duration of the other business relationships between the client and CMI or FNFD and other factors.

Clients compensate CMI based on a percentage of assets under management as set forth in their investment advisory agreements. The currently offered fee schedule is as follows:

| Assets Under Management | Annual Rate |
|-----------------------------|-------------|
| The First \$2,000,000 | 1% |
| The Next \$3,000,000 | .75% |
| All Assets over \$5,000,000 | .50% |

Fees may be negotiable, and may be higher or lower than the standard schedule depending on the types of assets under management, the size of the account, relationships with other accounts, the extent of supplemental services to be provided to the account, and other factors.

Investment advisory fees are charged quarterly in advance and are based on the value of the assets under management on the last business day of the previous quarter. The quarterly fee is computed at one fourth the annual rate. Fees are generally deducted from the client’s account in custody at First Clearing, LLC (“FCC”), the clearing broker for FNFD, or may be billed to the client, at the client’s option.

Each CMI client enters into an advisory agreement that continues in force and effect until either the client or CMI gives notice to the other party of its intention to cancel it, in which event the contract terminates on such date as is specified by the terminating party. When either party terminates the relationship, the “unused” portion of the prepaid management fee is refunded by CMI. The “used” portion covers the period from the beginning of the quarter in which the contract is cancelled through the specified termination date.

In addition to CMI advisory fees, clients will incur brokerage commission costs. Most clients have directed that our broker-dealer affiliate, FNFD, act as broker in their transactions. In such cases, FNFD earns brokerage commissions for security trades effected in CMI client accounts. FNFD transaction charges for security trades effected in CMI client accounts are disclosed below in the section of this brochure entitled Brokerage Practices.

For any client account that holds mutual funds or ETFs, the mutual fund or ETF will charge its own investment management fee as disclosed in the prospectus for the mutual fund or ETF. This investment management fee is separate from and in addition to the investment advisory fee charged by CMI.

FNFD makes available to clients of CMI who are FNFD customers cash management services in the form of sweep arrangements with money market funds (“Funds”) managed by Federated Investors, Inc. or affiliates (“Federated”) and sweep arrangements to interest bearing deposit accounts with Wells Fargo & Co. banks insured by the Federal Deposit Insurance Corporation up to limitations established by Congress. Wells Fargo & Co. is the parent company of FCC.

In connection with the Federated arrangements, FNFD may receive certain payments from the Funds themselves and/or from Federated. These include payments for distribution assistance in accordance with plans adopted by the Funds’ Boards of Directors pursuant to Rule 12b-1 under the Investment Company Act of 1940, payments for shareholder services provided to the Funds, including statement preparation and shareholder subaccounting, and payments for distribution and promotional assistance from Federated out of its own resources. The amount of such payments ranges from 0 to .60 of 1% of client cash balances invested in Federated Funds, depending upon the Fund in which the balances are invested and the average aggregate monthly balance of FNFD customer cash balances invested. Such payments are received through FCC, FNFD’s clearing firm, which also receives payments from Federated with respect to such balances.

For the calendar years 2009 through 2013, total Federated compensation to FNFD from cash management sweep arrangements for both brokerage and investment advisory clients ranged from \$13,284 to \$314,965, representing between .15 % and 4.35 % of operating revenue for FNFD. In December 2013, 1.51 % of the monthly average balance of assets invested in the Federated Funds on behalf of FNFD customers was attributable to advisory clients of CMI. For the year 2013, FNFD received \$127 from FCC as a result of Federated sweep arrangements for CMI clients.

In connection with the bank deposit sweep arrangements, FNFD may also receive certain payments from the Wells Fargo & Co. banks. The amount of such payments ranges from .0375 to .60 of 1% of client cash balances held in bank deposit sweep accounts, depending upon the average aggregate monthly balance of FNFD customer cash balances held. Such payments are received through FCC. FCC also receives payments from the Wells Fargo & Co. banks with respect to such balances.

For the calendar years 2009 through 2013, total interest bearing deposit account compensation to FNFD from cash management sweep arrangements through Wells Fargo & Co. banks for both brokerage and investment advisory clients ranged from \$1,223 to \$186,768 representing between .017 % and 2.06 % of operating revenue for FNFD. In December 2013, 24.62 % of the monthly average balance of interest bearing deposits with Wells Fargo & Co. banks on behalf of FNFD customers was attributable to advisory clients of CMI. For the year 2013, FNFD received \$51,845 from FCC as a result of Wells Fargo & Co. bank sweep deposit arrangements for CMI clients.

FNFD may receive greater revenue in connection with the investment of client assets in the Federated Funds or in Wells Fargo & Co. bank’s sweep arrangements than it might receive if such assets were invested in certain other money market funds or banks. Under certain interest rate conditions, the amount of payments received by FNFD from Wells Fargo & Co. or Federated as applicable may exceed the interest credited to client accounts.

Clients are free to direct that their cash balances be managed through investment in U.S. Treasury securities, which does not result in the receipt by FNFD of such payments or fees but may require the payment by the client of a commission. Clients may also make arrangements to have their cash managed by persons or entities other than FNFD.

FNFD also receives Rule 12b-1 payments from certain other mutual funds held in its CMI clients' accounts.

Performance Based Fees and Side-by-Side Management

CMI does not charge performance based fees.

Types of Clients

FNFD provides investment advice to individuals, pensions and profit sharing plans, trusts, estates, charitable organizations and other non-profit, corporate, and business entities.

Methods of Analysis, Investment Strategies and Risk of Loss

CMI uses fundamental methods of analysis in determining the securities to be purchased or sold. The main sources of information include research reports prepared by others, financial publications, corporate rating services, company press releases, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

As indicated, CMI uses a long-term buy and hold strategy focused on individualized account management with investments generally in large-cap equity securities and fixed income securities. ETFs are used to gain exposure to small- and mid-cap equity securities, specific market sectors and international stocks. ETFs represent shares of ownership in either mutual funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed generally to correspond to the price and yield performance of their underlying indexes, representing either the broad stock market, market sectors at different capitalization levels, industry sectors, international stocks or U.S. bonds.

Any investment in securities involves the risk of loss of principal. The success of CMI's investment activities for client accounts may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of investments made by CMI. Unexpected volatility or illiquidity could impair profitability of investments or result in losses. There is no guarantee that CMI will be successful in implementing its investment strategies.

Account values could fluctuate over short periods of time as a result of short-term market movements and over longer periods during market downturns. Individual securities in client accounts may face trading risks, including the potential lack of an active trading market and the resulting inability to sell the security or sell at favorable times or prices. The value of individual securities in client accounts may be adversely affected and decline as a result of changes to the issuer's financial condition, credit rating, business prospects or other adverse circumstances.

Specific types of securities each have attendant risks:

The equity market sector will generally present the greatest degree of risk of loss for client portfolios. The value of equity securities may fluctuate in response to company specific factors, industry market conditions or the general economic environment. Common shares generally are the most junior securities in a company's capital structure and are thus in the first-loss position and the most susceptible to fluctuations in value. While CMI expects to invest substantially in securities with large market capitalizations, it may invest in small- or mid-capitalization securities as well. The securities of smaller companies may involve greater risk. These securities may be subject to greater volatility and may be less liquid than those of larger companies.

International equity investments involve additional risks, including the risk of capital loss from unfavorable fluctuations in currency values, differences in accounting treatment, or economic or political instability in other nations. In addition, the application of foreign tax laws (e.g. the imposition of withholding taxes on dividends or interest payments) or confiscatory taxation may affect investments in foreign securities.

The value of fixed-income securities may change due to market volatility and interest rate fluctuation. When interest rates decline, the value of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities can be expected to decline. The market value of fixed-income securities also varies according to the financial condition of the issuer.

Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to replicate exactly the performance of the indexes because of their expenses, tracking error (discrepancy between the composition of the underlying index and the composition of the ETF), and other factors. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries or companies on which it is based.

CMI maintains a Buy List of securities deemed suitable for investment on behalf of clients. Investing only in securities on the Buy List carries with it specific risks that predominately large market capitalization equities may underperform in comparison to the general securities markets or other asset classes. Investing only in securities on the Buy List may create concentrations in an individual security, industry or asset class. Such a strategy may involve a greater risk of loss of principal associated with adverse occurrences affecting Buy List securities.

Disciplinary Information

On August 23, 2007, CMI settled a Securities and Exchange Commission Administrative Proceeding without admitting or denying the findings of the SEC.

The SEC made findings that, in violation of the Investment Advisers Act of 1940 and rules thereunder, CMI (at a time when it was an unincorporated division of FNFD) did not obtain best execution on trades for investment advisory clients and did not disclose to clients referred by FNFD brokers that there existed a potential conflict of interest in that CMI might be reluctant to recommend a lower cost broker-dealer to avoid jeopardizing the flow of future referrals from FNFD brokers to its advisory business. The SEC also found that FNFD failed to make and keep records of agreements with certain advisory clients evidencing their selection of FNFD for custody and trade execution.

CMI was censured and ordered to cease and desist from committing or causing any violations of Sections 206(2) and 204 of the Advisers Act and rules thereunder. In addition, CMI was ordered to pay a monetary fine of \$100,000 and an additional \$244,921 in disgorgement and prejudgment interest.

Other Financial Industry Activities and Affiliations

CMI is a wholly owned, indirect subsidiary of FNFD. FNFD is a dually registered broker-dealer and investment adviser and is a member of the New York Stock Exchange and the Financial Industry Regulatory Authority, Inc. At the direction of its clients, CMI places trades for the majority of clients through FNFD, as more fully described in the section entitled Brokerage Transactions. In addition, CMI and FNFD have entered into an intercorporate agreement under which FNFD provides CMI with significant administrative and operational services.

CMI and FNFD share certain members of management. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD, is a director of both CMI and FNFD, and a Registered Principal of FNFD. John R. Current, the Secretary of CMI, is also Senior Vice President and Secretary of FNFD, a director of both CMI and FNFD, and a Registered Principal of FNFD. Lee M. Folger is the Chairman of the Board of both CMI and FNFD and is also a Registered Principal of FNFD.

Neil C. Folger is a Senior Portfolio Manager of CMI, is a director of both CMI and FNFD, and is also a Registered Principal of FNFD. David M. Brown, also a Senior Portfolio Manager of CMI, is a Registered Representative of FNFD. Management of the business and client accounts of CMI is primarily conducted by Neil C. Folger and David M. Brown.

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

CMI has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The portion of the Code that governs personal securities transactions is applicable to all "Access Persons" (as defined in the Code), including CMI employees, certain officers of FNFD, members of the IPC of CMI, and members of all Access Persons' households. The Code requires all CMI employees to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other things:

- prohibit employees from taking personal advantage of opportunities belonging to clients,
- prohibit trading on the basis of material nonpublic information,
- place limitations on personal trading by employees and impose preclearance and reporting obligations with respect to such trading,
- impose limitations on the giving or receiving of gifts and entertainment, and
- restrict employees' outside business activities.

Almost all equity securities in which CMI invests for clients are widely traded in public securities markets. Accordingly, it is the policy of CMI to permit Access Persons to invest in the same securities as clients, subject to preclearance procedures that are intended to minimize any potential impact on related persons from client transactions.

Access Persons are permitted to trade immediately upon approval in securities that are not on the CMI Buy List or held by CMI clients. During the last hour of the trading day, Access Persons are permitted to trade 500 or fewer shares or, if less, up to 1% of the average daily trading volume, calculated annually, in securities on the CMI Buy List or held by CMI clients. During the last hour of the trading day, Access Persons are also permitted to make trades greater than 500 shares in securities on the CMI Buy List or held by CMI clients if CMI will not be trading in the security on the trading day for which preclearance is sought. FNFD also follows these procedures when trading for its proprietary accounts.

All trades except trades in certain exempt securities must be reported to CMI. Such reports are monitored regularly by the Chief Compliance Officer.

A copy of CMI's Code of Ethics may be obtained from CMI's Chief Compliance Officer, Joseph Urban, at (202) 626-5300.

It is CMI's policy that neither it nor its affiliate FNFD will trade with CMI clients as principal.

As a registered broker-dealer, FNFD from time to time may effect transactions in which CMI client securities are sold to or bought from a brokerage customer of FNFD ("agency cross transactions"). FNFD may receive compensation from its brokerage client in such transactions. Because FNFD and CMI have duties and responsibilities to both parties to the transaction, there is inherently the possibility of a conflict of loyalties. CMI clients, by entering into their investment advisory agreements, consent to agency cross transactions that are executed in accordance with SEC rules.

It is CMI's general policy not to effect trades between the accounts of advisory clients ("cross trades"). CMI client accounts are managed on an account by account basis, and each trade for each such account is generally placed by the portfolio manager for the account based on the needs of the account, independent of trades for other client accounts and at the prevailing market price at the time of the trade. Accordingly, it is possible that CMI may purchase and sell the same security on the same day for different clients at different times and different prices and may not cross the trade between accounts. In these cases clients will not be charged commissions beyond the \$10.00 minimum on the number of shares of the same security that are both bought and sold on that day for CMI clients.

Notwithstanding the general policy not to engage in cross trades between CMI clients, under certain limited circumstances (for example, when a client requests cash from his or her account), CMI may determine that it is appropriate to sell a security from one client account and purchase the security for another client account. Such transactions may occur, for example, in the case of a sale on behalf of one client of municipal securities that may be desirable for the accounts of one or more other clients.

Brokerage Practices

Not all advisers require or recommend that their clients direct brokerage. However, CMI does request that clients direct brokerage to a specific broker-dealer firm. Many investment advisory clients have directed that CMI use FNFD for execution of their transactions. Investment advisory clients may also direct that CMI use brokers other than FNFD. CMI, as an affiliate of FNFD, may have an incentive to recommend FNFD to its clients instead of an unaffiliated broker-dealer. Where the client directs CMI to use a specific broker other than FNFD, the commission rate will be as agreed between the client and such broker. Commission rates charged by such brokers may be higher or lower than those charged by FNFD to CMI clients, which are described below in this section.

For clients who have directed that CMI use particular brokers, (including FNFD) such a direction of brokerage may result in their receiving less favorable executions in certain transactions, or in their paying higher transaction costs either in individual transactions or in the aggregate, because CMI will be bound to use their broker regardless of its execution capabilities or other execution opportunities available in the marketplace with respect to particular transactions.

CMI generally manages accounts and places orders on an account by account basis. CMI clients who have directed that FNFD act as broker in their transactions generally pay brokerage commissions on equity trades at FNFD's standard rates for CMI clients, not to exceed \$.05 per share, subject to a minimum of \$10 per trade. Because CMI places trades for each account separately, a significant number of trades in equity securities may be expected to incur the minimum charge.

Commission rates charged by FNFD may be higher than rates available from certain other brokers. Commissions charged to other FNFD customers are negotiated and may be higher or lower than commissions charged to CMI clients.

Compensation for trades in fixed income securities on behalf of CMI clients varies according to the nature of the security, the size of the trade and the depth and liquidity of the market for the security in question. The commission schedule for such trades is as follows.

FNFD is compensated for purchases and sales of U.S. Treasury securities on behalf of CMI clients at a maximum rate of \$1.00 per \$1,000 par value, up to \$25 per trade, except for sales of U.S. Treasury securities with a remaining maturity of six months or less, for which there is no charge.

For purchases of U.S. Agency fixed income securities, FNFD is compensated on a decreasing scale at rates of \$2.00 per \$1,000 par value for transactions up to and including \$25,000 par value and less than \$2.00 per \$1,000 par value for purchases of more than \$25,000 par value. There is a minimum charge on purchases of U.S. Agency securities of \$10 per transaction. The maximum commission is \$350 for \$350,000 par value or more. For sales of U.S. Agency fixed income securities, compensation is at the rate of \$1.00 per \$1,000 par value with a maximum of \$25 per trade.

FNFD is compensated for purchases and sales of municipal securities, at rates that range from \$2.50 per \$1,000 par value for trades up to \$100,000 par value to a maximum of \$500 for trades of \$426,000 par value or more. There is a minimum charge for the purchase of municipal securities and for the sale of municipal securities of \$20 per transaction.

For the purchase and sale of corporate bonds commissions are \$1.00 per \$1,000 par value, up to a maximum of \$25.

Although CMI generally manages accounts individually and places trades for such accounts separately, from time to time it may aggregate client trades for execution when it believes in its discretion that such aggregation will achieve the most equitable execution for all clients involved. Aggregated orders meeting the trading requirements of FCC's block desk will be placed through that desk and may be executed as a single block or in a series of trades throughout the day and will receive the average price for executions done in a single trading day.

Clients who have directed that CMI use brokers other than FNFD, which acts as broker for the great majority of CMI clients, may be excluded from participating in any block trades effected by FNFD and thus from the benefits of average pricing and any available economies of scale. Transactions for such other clients may be effected either before or after transactions effected by FNFD for clients who have directed brokerage to it.

FNFD may effect transactions for CMI clients in fixed income securities that trade in dealer markets. In such cases, commission charges may be imposed in addition to dealer costs, with the result that total transaction costs in some transactions may be higher than might be obtained in direct trades with dealers. CMI believes that utilizing the services of FNFD provides both expertise on selection of specific fixed income issues in light of credit risk, market risk and call risk and access to specialized dealer networks in such instruments. This improves both the quality of securities made available to advisory clients and execution prices for such securities, particularly in decentralized or opaque markets such as the secondary market for municipal securities.

CMI does not have any soft dollar commission arrangements and does not direct brokerage in exchange for referrals.

Review of Accounts

Specific account management responsibilities are divided between two senior portfolio managers. Each senior portfolio manager is responsible for more than 100 accounts. In general each account is reviewed quarterly for compliance with investment objectives by the primary portfolio manager responsible for the account. At least annually each account is reviewed for compliance with investment objectives by a portfolio manager other than the primary portfolio manager.

The CMI IPC maintains a Buy List of securities deemed suitable for investment on behalf of clients. The committee meets from time to time to consider whether to add or delete securities to or from the list and acts by consent between meetings.

Client Referrals

CMI has agreements with several individuals not affiliated with CMI or FNFD who, among other things, solicit and refer prospective clients to CMI. The compensation paid to these individuals consists of a specified portion of the advisory fee for the entire period the referred account is active with CMI.

Contracts with such solicitors require them to provide each prospective client a copy of CMI's brochure and a written disclosure document describing their fee arrangements at or prior to the time the client enters into any advisory agreement with CMI.

CMI also has agreements with certain of FNFD's registered representatives who solicit investment advisory clients for CMI. These individuals receive a specified portion of the advisory fee, generally .20 of 1% of the advisory fee, in addition to any brokerage commissions for transactions on behalf of the account.

Custody

CMI may be deemed to have custody of client assets as a result of deducting fees from the accounts of clients who have authorized such deduction. CMI does not act as a qualified custodian for client accounts. Client assets are held by First Clearing and such other custodians as clients designate, all of which are qualified custodians.

CMI provides clients with quarterly reports showing the holdings in their accounts and their valuations and quarterly reports of capital gains and losses for taxable accounts.

In addition, clients receive statements from their qualified custodians on a monthly or quarterly basis as determined by the activity in their accounts. CMI urges all clients to review and compare the quarterly account statements they receive from their custodians with the account statements they receive from CMI.

Investment Discretion

CMI generally has discretionary authority pursuant to its investment advisory contracts with clients to buy and sell stocks, bonds, and other securities for client accounts and to determine the amount of such securities to be bought or sold. See section entitled Advisory Business above.

Voting Client Securities

Although CMI generally has discretionary authority with respect to client accounts, CMI by contract with clients does not have responsibility for voting proxies on behalf of clients. Clients will receive their proxies or other corporate action solicitations directly from their custodian or transfer agent.

CMI does not routinely act on corporate actions not involving investment decisions, or on class actions; however, CMI may provide support in connection with such actions upon specific request.