



## ADV Form 2A, Appendix 1 Wrap Fee Programs Brochure

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### Appendix 1, Wrap Fee Programs Brochure

#### Item 1 – Cover Page

Form ADV, Part 2A, Appendix 1, our “Wrap Fee Programs Brochure” or “Brochure” for the Firm’s wrap fee programs: the Unified Managed Account Program (“UMAP”), the CHOICE Portfolios (“CHOICE”), the Professional Management Program (“PMP”), the S&S Advisor Account Program (“S&S Advisor”), and the Spectrum Investment Program (“Spectrum”), as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and BB&T Securities, LLC (we, us, our, the “Firm”).

**This Brochure provides information about the qualifications and business practices of the Firm and the services relevant to our Wrap Fee Programs. 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 the Firm 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 Wrap Fee Programs. 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 Firm’s last filing of our Form ADV Part 2A on March 18, 2013, which was our annual amendment update filed on the SEC’s Investment Advisers Public Disclosure Website (IAPD), [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The last filing of the Firm’s Appendix 1, Wrap Fee Programs Brochure was June 10, 2013.

2. Effective January 15, 2014, the Firm has revised its policy regarding disclosure of disciplinary events on its Form ADV Part 2A Firm Brochure, and the Appendix 1 Programs Brochure. On January 9, 2012, the Firm revised their method of determining if a disclosure was material to the Firm’s advisory business. At that time, all current disclosures for the past 10 years remained on the forms, however, any future disclosures would be reviewed to determine if they were indeed material to the Firm’s advisory business. The Firm now believes that disclosure of all disciplinary events prior to January 9, 2012 has the potential to cause confusion for its investment advisory customers, particularly when these matters are minor in nature and/or are not related to its investment advisory business.

Therefore, the Firm has decided to modify its disclosure policy and only disclose those disciplinary events which it determines are material to a customer’s evaluation of the Firm’s investment advisory business, the integrity of its advisory management, and the integrity and professionalism of its individual financial advisers

As a result of the above review, certain disciplinary events were removed from the Firm’s ADV 2A Firm Brochure and Appendix 1 Wrap Fee Programs Brochure. The Firm will continue to disclose all 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.

3. The following new disclosure has been added to this brochure. On December 13, 2013, FINRA accepted a Letter of Acceptance, Waiver, and Consent (“AWC”) from the Firm (Case Number #2012033723601). The allegations are as follows: During the period September 1, 2011 to December 28, 2011, the Firm effected sales of unregistered securities and that the Firm’s AML programs failed to adequately address

potential suspicious activity related to the unregistered securities. In addition, during the period August 23, 2010 to February 24, 2012, the Firm failed to maintain sufficient records of research analysts' public appearances, and that the Firm between 2002 and 2011 failed to consistently send change of address notices to clients. The Firm consented, without admitting or denying the findings, to the issuance of an AWC, a censure and a fine in the amount of \$300,000.

4. 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.

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### Item 4 – Services, Fees and Compensation

#### 1. Services

The Firm offers the following Wrap Fee Programs: the Unified Managed Account Program ("UMAP"), the CHOICE Portfolios ("CHOICE"), the Professional Management Program ("PMP"), the S&S Advisor Account Program ("S&S Advisor"), and the Spectrum Investment Program ("Spectrum")

The Firm 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, options on futures contracts, and structured products.

The Firm 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.

The Firm'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.

If a Client's 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 the applicable Agreement.

When opening an account in any of the Wrap Fee Programs above, the Firm's and any 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 provides and must represent accurate information. 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. The Firm has relied and will continue to rely on the information provided. This information is important for the management of the Account.

The quality of the investment advisory services to be rendered by the Firm under the Client Agreement are dependent upon the accuracy of the data and information supplied by the Client for the Firm's analysis and use in delivering its services. The Firm is under no affirmative duty to independently verify or audit any of such data or information. The Client will promptly notify the Firm 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 Financial Advisor may recommend other investment strategies or investments

Clients 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 applicable. 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.

The Firm will maintain custody of the assets held in the Account(s). The Firm, as custodian, will, at no additional charge, credit the Account with dividends and interest paid on securities and with principal paid on sold securities and with proceeds of called or matured securities in the Account.

On an exception-only basis at the request of the client, a third-party custodian other than the Firm 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.

The Firm 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. Other than for S&S Advisor accounts, 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.

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 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 chosen 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 the Firm's Financial Advisors or the Firm's research departments. Nothing in the Program Agreement 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. The Firm or Manager may purchase securities for its own Accounts that are purchased for the Accounts of its Clients.

The Firm and any 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.

The Firm will not act on Client's behalf or render advice in legal proceedings, including bankruptcy 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. The Client shall determine whether or not to participate in any class action lawsuits.

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. We ask that you refer to the prospectus or statement of additional information provided for a more complete description of the applicable fund and its operation.

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. The investment performance of any kind can never be guaranteed by the Firm or a Manager. 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.

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

The Firm may purchase or sell the same security for a number of clients at the same time. 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 may be "batched" to allocate more fairly those market fluctuations among clients. In these circumstances, the confirmations and statements for each client'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. In addition, the Firm may buy or sell securities for its own account that it recommends to clients and may profit from such transactions.

By executing a customer agreement ("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, 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 if and to the extent such mutual funds satisfy the criteria for inclusion in the model portfolio designated by Client. Sterling Capital Management 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. The Firm and Sterling Capital Management are both subsidiaries of BB&T Corporation. When the Firm invests a client account in a fund managed by Sterling Capital Management, the BB&T enterprise, as a whole, receives more revenue than would be received if the Firm invested a client account in a fund managed by non BB&T affiliated fund managers.

A portion of the wrap fee compensates the Firm for custody, clearance and settlement activities that are undertaken by the Firm even where a Manager chooses to place the trade through a broker-dealer other than the Firm. When Managers place trades through other broker-dealers, clients pay more for execution. Costs arising out of transactions effected by entities other than the Firm will be separately borne by Clients. The total net price paid for bonds or equities could exceed the net price the Firm might have obtained, acting as agent. Managers of fixed income portfolios have historically placed more trades through other broker-dealers than equity managers. Clients should read the disclosures related to the Firm program in which they enroll and also the disclosures of their chosen independent investment adviser (particularly those disclosures regarding best execution, since those independent investment adviser are responsible for best execution and control brokerage selection on behalf of their clients).

#### **A. Unified Managed Account Program**

The Firm offers the Unified Managed Account Program ("UMAP" or the "Program") to assist clients, both individuals and institutions (such as pension and profit sharing plans, trusts, estates, or charitable organizations, corporations and other business entities), to clarify their investment needs and to obtain professional asset management for a convenient single "wrap" fee.

The Firm offers UMAP 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.

UMAP 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.

At Account inception, 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 Firm'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 Firm upon request of the Investment Adviser.

Subject to any other written instructions by the Client, the Client authorizes the Firm to vote proxies consistent with its proxy voting policies and procedures and act on the Client's behalf in regard to any other corporate matters regarding securities in the Client's account(s), including the 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. Subject to client delivery of any other required documentation, the Firm may receive all shareholder communications, including proxy statements and proxies. Upon request, Client will be provided with a copy of the Firm'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 Firm upon request of the Investment Adviser. The Firm is only responsible for dealing with those shareholder communications received in a timely manner.

#### **1. Manager Models**

In UMAP, 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.

The Firm will manage the Account and the Client has no contractual relationship with any Alpha Provider. The Firm will seek to manage the Account and Subaccount in a manner consistent with the recommendations provided by the Alpha Provider, but the Firm may deviate, in its discretion, from such recommendations. As a result of the Firm's overlay management process, the Account and/or Subaccount may vary from the model portfolio. 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 their or their other Clients' accounts before the Firm has received or had the opportunity to evaluate or act on the Alpha Providers' 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, their related persons or their other Clients 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 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. Any failure to promptly select such replacement 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.

## **2. Separate Account Managers**

In UMAP, clients retain the ability to select one or more separate account managers (the "**Manager**") who will manage the client's discretionary Account. The Firm will, among other things, provide clients 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 the client's Account or provide discretionary trading in the client's Account because these services will be provided by the Manager. The Firm will initiate the steps necessary, including the receipt of investment funds, to open the Account and will be available 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 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, however, 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 UMAP at any time and for any reason. In addition, each Manager may resign from participation in UMAP. The Firm may retain and terminate any Manager with respect to any Account in UMAP. 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. Any failure to timely select a new Manager 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 UMAP 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.

## **B. Professional Management Program**

The Firm offers the Professional Management Program ("PMP" or the "Program") to assist clients, both individuals and institutions (such as pension and profit sharing plans, trusts, estates, or charitable organizations, corporations and other business entities), to clarify their investment needs and to obtain professional asset management for a convenient single "wrap" fee.

Through the Firm's PMP, certain selected, qualifying Financial Advisors provide investment advisory 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.

## C. CHOICE Portfolios

CHOICE Portfolios ("CHOICE") provides investment advisory services to client accounts on a discretionary basis using one or more of six portfolios created and managed by Sterling Capital Management LLC, ("Sterling"), a subsidiary of BB&T Corporation.

The Firm will assess the Client's suitability to invest in one or more of the portfolios created and managed by Sterling, and to assist the client with allocation of the Client's account between one or more of the Sterling portfolios. On an ongoing basis, the Firm will monitor the Client's allocation between the Sterling portfolios to ensure that the allocations remain consistent with the Client's stated investment objectives. In addition, the Firm will periodically review Sterling's portfolios to ensure that the investments made in the portfolios are consistent with the descriptions of the portfolio strategies that were provided to Clients.

The Firm will not engage in discretionary trading in the Client's account because this service will be provided by Sterling. 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 Sterling.

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

The six portfolios that Sterling manages are the: Equity Income Portfolio, Leaders Portfolio, Special Opportunities Portfolio, SMID Portfolio, Insight Portfolio and/or Enhanced Equity 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.

Sterling 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. As a general matter, the Firm considers it appropriate to use its own execution services for the purchase and sale of securities involved through the CHOICE portfolios. The Client also authorizes the Firm and Sterling 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 Sterling, respectively, and shall be binding upon the Client's heirs, executors, successors and assignees.

At account inception, 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 our 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 upon request.

## D. S&S Advisor Account Program

The Firm offers the S&S Advisor account program ("S&S Advisor"), which 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. S&S Advisor is a non-discretionary advisory program subject to the rules and requirements of the Investment Advisers Act of 1940.

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

- a. The Client provides the Firm with a predetermined investment strategy; or
- b. The Client, in consultation with a Financial Advisor employed by the Firm, 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. The Firm shall have no discretionary authority with respect to the Account and shall execute only transactions directed by the Client.

A Firm 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 Firm'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. The Firm shall not be responsible for the performance of any selected investment. The Firm has the right and authority to remove any investment from S&S Advisor upon at least thirty days' prior written notice to the Client.

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 the Firm 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.

The Firm will perform no discretionary acts with respect to the account of an S&S Advisor client.

S&S Advisor 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.

## **E. Spectrum Investment Program**

The Firm 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.

The Firm offers Spectrum 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.

The Firm will perform no discretionary acts with respect to the Account and will act in an investment advisory capacity solely by assisting the client in the selection of an independent investment adviser. For such clients, the Firm 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.

## **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 the Firm to execute transactions in securities with another broker-dealer. Because all transaction related fees are paid for out of the Annual Fee, the Firm anticipates that it will fulfill its duty to obtain best price and execution of client orders by effecting those transactions itself as broker. If the Firm 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" charged by the other broker.

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 the Firm, 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; the Firm's usual and customary transaction charges on the liquidation of assets not eligible for the 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, if available; 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.

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.

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 the 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. Trading activity can be affected by several factors, including contributions or withdrawals from the account, depositing of securities or changes in investment strategies, mutual funds, ETFs or other securities. For additional information to help understand anticipated trading, Client may request from the Financial Advisor the historical portfolio turnover and number of holdings for recommended investment model strategies. The portfolio turnover percentage reflects how active a manager is in trading the portfolio. Client should discuss this with Advisor in order to decide which trading structure is most beneficial. The standard fee schedules set forth below 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 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, spread, mutual fund expense, 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.

For eligible mutual funds that are held in the Account, Client shall bear a proportionate share of the mutual funds' expenses, including advisory fees paid to the mutual funds' advisers, as well as management and 12b-1 fees, as set forth in the mutual funds' prospectuses. Mutual fund positions held in the Account may be more expensive than if held in a non-fee based account. To the extent such mutual funds permit exchanges among mutual funds, Client may be subject to certain administrative charges levied by the mutual funds' distributors. Where permitted by law, the Firm may receive a fee from open-end mutual funds or their affiliates for record-keeping, sub-account and/or other shareholder services. The Firm or its associated persons may receive compensation directly from the mutual fund for transactions in the Account. Any such payment will not affect the amount Client owes the Firm under the terms of this Agreement.

#### **A. Unified Managed Account Program**

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

<b>UMAP HH ASSETS</b>	<b>Model Sleeves/SMA</b>	<b>Tier</b>	<b>Fund/ETF/Fixed Income SMA</b>
\$ 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%

Eligible assets in the Account include (unless otherwise restricted by Client in writing and accepted by the Firm): cash and cash equivalents, insured deposit balances, money markets, common stock, preferred stock, rights/warrants on stock, closed-end mutual fund shares, eligible open-end mutual fund shares, American Depository 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 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 UMAP Agreement within five (5) business days of its execution and receive a full refund of all prepaid fees. Thereafter, either party may terminate the UMAP 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 UMAP Agreement for previously initiated transactions or for balances due in the Account or for any amounts owed. Upon the termination of the UMAP 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 UMAP 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 UMAP 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 UMAP 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.

## B. Professional Management Program

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 is otherwise blank. Any change to the annualized fee must be in writing and signed by the Client and the Firm.

Total Account Value	Annualized Fee
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%

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 the Firm 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 the Firm.

## C. CHOICE 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%

The Firm may terminate any account that has fallen below the minimum account value shown above. 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 the Firm.

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 consent. Client may terminate their Agreement within five (5) business days of its signing and receive a full refund of all fees. Thereafter, either party may terminate the agreement at any time and for any reason by notifying the other in writing and termination will become effective upon the receipt of the notice. However, termination will not affect either party's responsibilities under the Agreement for previously initiated transactions or for balances due in the Account. Upon the termination of the 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. Fees paid in advance will be prorated to the date of termination, and any unearned portion thereof will be refunded to the Client. If the term of the Client's 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 the Client's 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 the Client's 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.

#### **D. S&S Advisor Account Program**

The fee payable by the Client pursuant to the S&S Advisor Agreement covers all investment advisory services rendered by the Firm, and certain commissions, mark-ups and other transactional charges applicable to securities transactions effected for the Account with or through the Firm, subject to the terms of the Fees described as follows. The fee also covers custodial services and other Account-related services provided by the Firm.

Client agrees to pay the Firm 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 S&S Advisor Agreement.

<u>Total Billable Value</u>	<u>Annual Fee as a % of Value</u>
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 S&S Advisor 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 S&S Advisor 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 the Firm 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 S&S Advisor Agreement for previously initiated transactions or for balances or fees due.

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. The Quarterly Fee may be more than the commissions that might otherwise accrue under the Firm's regular commission rates. The Quarterly Fee will be based upon all assets in the Account.

Eligible assets in the account include (unless otherwise restricted by Client in writing and accepted by the Firm): 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 initial Quarterly Fee shall be payable to the Firm within five (5) days of the Firm accepting the Client's S&S Advisor 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.

#### **E. Spectrum Investment Program Brochure**

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 the Firm for brokerage commissions on agency trades or markups or markdowns on principal transactions. The Firm 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

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. The Firm 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 the Firm 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 the Firm that the account is not to be continued under the revised fee schedule.

Termination of the fee-based contract 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, a full refund will be provided to the client. The contract between the client and the Firm 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 the Firm will be terminated.

### **3. Other Compensation**

The Firm 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, the Firm will maintain records of all securities purchased and sold by the Firm, its associated persons, and related entities, which will be available for client inspection upon reasonable request.

The Firm will not act as principal in a transaction for wrap fee clients without providing disclosure that it is so acting and obtaining prior client consent. The Firm also, with appropriate disclosure and client consent, may effect transactions for a wrap fee 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. The Firm will do so only to the extent consistent with its duty to obtain best execution for the wrap fee client and with appropriate client consent. Wrap fee clients may revoke consent to engage in such transactions at any time.

Finally, because the Wrap Fee Program may cost clients more or less than purchasing the included services separately, the Firm may have a financial incentive to recommend participation in the Wrap Fee Program.

Outside the Wrap Fee Program, the Firm provides a variety of services to its clients as a broker-dealer, for which it is compensated. The Firm usually acts as broker in transactions for clients. The Firm may act in a riskless principal capacity for certain fixed income securities and mutual funds that impose sales loads. All transactions, whether the Firm acts as broker or as riskless principal, are effected at the prevailing market price consistent with the Firm's duty to obtain best execution. The Firm is compensated in such transactions in the form of commissions on trades. In connection with clients investing in mutual funds, the Firm may be paid compensation as described in the funds' prospectuses.

We do not have or employ any "Employee" at all that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your Account or to which we provide consulting expertise/services. As a result, we are a "fee only" investment adviser. We do not have any potential conflicts of interest present that relate to any additional (and undisclosed) compensation from you or your assets that we manage.

Since the 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 the Firm to execute transactions in securities with another broker-dealer. Because all transaction related fees are paid for out of the Wrap Fee, the Firm anticipates that it will fulfill its duty to obtain best price and execution of client orders by effecting those transactions itself as broker. If the Firm 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" charged by the other broker.

In the Spectrum Program, 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 the Firm's disclosure brochure. Fees, payments and refund policies will vary depending upon the independent investment adviser's fee schedule and terms. The Firm will determine that any independent investment adviser, with which the Firm contracts, is properly registered in those states where investment advice or securities are provided to residents of that state.

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

Each Wrap Fee Program has a specified minimum account size which is discussed in each product section below.

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.

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)

#### **A. Unified Managed Account Program**

Under the UMAP Program the minimum account size is \$50,000. Account minimum is \$100,000 for each Model/Manager and investment style selected. Fund/ETF minimums vary by fund. We ask that you refer to the Program's prospectus for more information.

##### Account Asset Minimums

\$50k – 100k	Fund/ETF only accounts
\$100k – 250k	Up to 1 Model/Manager
\$250k – 500k	Up to 2 Model/Manager
\$500k – 750k	Up to 3 Model/Manager
\$750k – 1 million	Up to 4 Model/Manager
\$1 million – 1.5 million	Up to 5 Model/Manager
\$1.5 million – 2.5 million	Up to 6 Model/Manager
\$2.5 million+	Up to 7 Model/Manager

#### **B. Professional Management Program**

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

#### **C. CHOICE Portfolios**

Under the CHOICE Wrap Fee Program, a minimum initial account value of \$100,000 is required for the Equity Income Portfolio, Leaders Portfolio, SMID Portfolio, Insight Portfolio and Special Opportunities Portfolio accounts, and \$250,000 for the Enhanced Equity Portfolio accounts.

#### **D. S&S Advisor Account Program**

The minimum account size we generally require to open or maintain an S&S Advisor account is \$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%.

#### **E. Spectrum Investment Program**

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

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

#### **A. Unified Managed Account Program**

The Firm has contracted FDX Advisors to provide comprehensive analysis of an approved list of "Alpha Providers" whose investment recommendations are implemented by the Firm. Initial and ongoing reviews of the Alpha Providers is conducted by FDX Advisors Research Committee. FDX employs both a qualitative review and quantitative review of each Alpha Provider firm. FDX requires performance information to be provided in a format which is GIPS compliant. Exceptions to this compliance requirement may apply if the Alpha Provider has demonstrated a strong investment management background. The review may include comparisons to investment advisors with similar investment styles. In some cases, an on-site visitation is conducted with the Alpha Provider. Alpha Providers that successfully complete this process are placed on FDX's Approved List and are then available for use in Clients' investment portfolios by the Overlay Manager. Credentials and select data of Alpha Providers are reviewed each quarter to determine if expectations have been met on a relative basis to remain eligible for inclusion in the UMAP. If general expectations have not been met, a more comprehensive review may be conducted, after which replacement of the Alpha Provider may occur. Additionally, the Firm may utilize a portfolio manager that is not on FDX's Approved List but rather FDX's Access list. FDX Advisors will contract with Access managers to provide their list of security recommendations and will gather quantitative information from these managers on a quarterly basis in order to complete manager profiles. The Firm will maintain qualitative manager research files on the Access managers gathering information on the firm, its' history, assets under management, organizational structure, ownership, regulatory situation, and resources.

In selecting the appropriate investments for a particular Client's UMAP account, the Financial Advisor to the client will determine the combination of portfolio managers (Alpha or Access), funds, ETFs, and other available security types, for a particular client based upon the Client's investment objectives, financial situation, risk tolerance and other investment guidelines.

Performance is calculated by the portfolio managers and they typically utilize Global Investment Performance Standards (GIPS) as developed by the CFA Institute.

The Firm reviews the performance of subaccounts and accounts invested with portfolio managers versus the stated performance of the portfolio managers composite. This review is conducted to ensure consistency with the manager's track record. Additionally, the majority of managers do engage a third party to audit their performance track record to ensure that it is in keeping with the GIPS standards. The most common auditor of the track records is Ashland Partners.

Neither the Firm nor any related entity or person acts as portfolio manager for UMAP.

## **B. Professional Management Program and CHOICE Portfolios**

### **Conflicts of Interest**

As a general matter, the Firm considers it appropriate to use its own execution services for the purchase and sale of securities involved in these programs.

Under PMP and CHOICE, the Firm 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 the Firm 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. **Special Note:** PMP investment managers also are authorized to purchase for their own accounts securities that are purchased for clients subject to the Firm's Code of Ethics.

It is the Firm'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 PMP and CHOICE (including employee, the Firm or the Firm's affiliates' PMP and 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 and PMP.

### **Advisory Business**

For a full description of the Advisory Services offered by the Firm, please see Item 4B of the Firm's 2A Disclosure Brochure.

### **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 in Item 5 of the Firm's 2A Disclosure Brochure.

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

For a description of the methods of analysis and investment strategies of each of our Programs, see Item 4B of the Firm's 2A Disclosure Brochure. These methods vary widely across the Firm, and PMP and CHOICE 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.

**Below are items specific to the Professional Management Program and CHOICE Portfolios respectively.**

### **Professional Management Program**

The Firm serves as a portfolio manager for PMP. Through PMP qualifying financial advisors provide investment advisory services to client accounts on a discretionary basis. Before a financial advisor can enter the program he/she must complete a comprehensive application which is used by the Firm to formally review the financial advisor's qualifications. Financial advisors in the program develop disciplined portfolios based on certain established PMP guidelines, the client's investment objectives, and individual client needs as detailed by the client in the Questionnaire completed by the client.

### **Voting Client Securities**

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 the Firm. The Firm will not advise client on the voting of proxies or advise client in legal proceedings involving companies.

### **CHOICE Portfolios**

Employees of Sterling Capital Management LLC, a subsidiary of BB&T Corporation, act as Portfolio Managers for the CHOICE Wrap Fee Program. The Firm will assess the Client's suitability to invest in one or more of the portfolios created and managed by Sterling and assist the client with allocation of the Client's account between one or more of the Sterling portfolios.

On an ongoing basis, the Firm will monitor the Client's allocation between the Sterling portfolios to ensure that the allocations remain consistent with the Client's stated investment objectives. In addition, the Firm will periodically review the performance of the Sterling portfolios and ensure that the investments made in the portfolios are consistent with the descriptions of the portfolio strategies that were provided to Clients.

### **Voting Client Securities**

For CHOICE accounts you may obtain a copy of the Firm's Proxy Voting Policies and Procedures, which may be updated

from time to time, upon request by contacting the Firm's Main Office at 804-643-1811.

### **C. S&S Advisor Account Program**

Neither the Firm nor any related entity or person acts as a portfolio manager for S&S Advisor. 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. Clients are solely responsible for all investment decisions made in the S&S Advisor account.

### **D. Spectrum Investment Program**

This is the Firm's dual contract separately managed account program whereby the client enters into a separate investment management agreement direct with an independent investment advisor of their choice. The chosen money manager will have discretion over the selection of securities in the accounts.

The Firm conducts on-going evaluations of each investment manager's performance relative to the client's investment objectives. The Firm also conducts basic due diligence on each investment manager in the Spectrum program

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

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### **A. Unified Managed Account Program**

Where a portfolio manager acts in the capacity of Alpha Provider and solely communicates its investment recommendations to be executed by the Firm in the capacity of Overlay Manager, no client information is provided to the portfolio manager. Where a portfolio manager is acting in the capacity of a sub advisor to a client and investing the account directly, basic client information is provided to the manager in order to properly manage the client account on an ongoing basis.

### **B. Professional Management Program**

As portfolio manager, the Firm has access to all client information provided to them by client so it and the Program's qualifying PMP Financial Advisors may properly manage the client account on an on-going basis.

### **C. CHOICE Portfolios**

As previously stated, employees of Sterling Capital Management LLC, a subsidiary of BB&T Corporation, act as Portfolio Managers for the CHOICE Programs.

Client information is provided to the Portfolio Managers so that they may properly manage the client account on an ongoing basis.

### **D. S&S Advisor Account Program**

The S&S Advisor account is a non-discretionary advisory account and neither the Firm nor the Firm's Financial Advisor acts as the portfolio manager for S&S Advisor. The Firm has access to all client information provided to them by client so it and the financial advisors may properly advise the client regarding the account on an on-going basis.

### **E. Spectrum Investment Program**

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, the Firm 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**

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### **A. Unified Managed Account Program**

Clients have access to a portfolio manager through various means acceptable to both parties either in-person, by conference call or email. Access to the portfolio manager may be coordinated through the Client's financial advisor. In some cases, geographic differences may dictate that an in-person meeting is not feasible and that other means must suffice.

### **B. Professional Management Program; S&S Advisor Account Program; Spectrum Investment Program**

Clients have access to a Financial Advisor, or an independent investment adviser through various means acceptable to both parties either in-person, by conference call or email.

### **C. CHOICE Portfolios**

Clients may have access to a Portfolio Manager through various means acceptable to both parties either in-person, by conference call or email. Access to the Portfolio Manager for the CHOICE Wrap Fee Program may be coordinated through the Client's financial advisor. In some cases, geographic differences may dictate that an in-person meeting is not feasible and that other means must suffice.

## **Item 9 – Disciplinary Information**

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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 March 8, 2004, NASD Regulation, Inc. initiated a regulatory action against Scott & Stringfellow (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 S&S (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 September 17, 2009, FINRA initiated a regulatory action against S&S (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 S&S had some violations regarding individual registrations, Rule 10b-10, Rule 606 and Rule 605, TRACE reporting, short sale reporting and written supervisory procedures. S&S 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 S&S (Docket/Case Number #SEC-2009-00112). The Virginia State Corporation Commission's Division of Securities and Retail Franchising alleged that S&S violated Commission Rules 21 VAC 5-20-260A and B, and 21 VAC 5-20-580A3 and A18 in connection with the marketing and sale of auction rate securities to Virginia residents. Prior to entering into this settlement with the Virginia State Corporation Commission, S&S offered to purchase, at par, auction rate securities ("ARS") from certain eligible customers ("Offer"). As part of the settlement, S&S 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 S&S believed that it had meritorious defenses to the allegations, to avoid the uncertainty and expense of litigation, and without admitting or denying the

allegations, S&S settled the matter. The Order was entered by the Virginia State Corporation Commission on January 6, 2010. On August 1, 2013, the Firm received a follow-up letter from the Division requesting additional reporting regarding matters that were covered in the January 6, 2010 settlement. On August 23, 2013, the Firm agreed to the Division's request for additional reporting.

On May 27, 2010, the Commonwealth of Virginia, State Corporate Commission (the "Commission"), initiated a regulatory action against S&S (Docket/Case Number #SEC-2010-00091). The Commission alleged that S&S 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, S&S 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 S&S. S&S 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 S&S.

On June 19, 2012, FINRA accepted a Letter of Acceptance, Waiver and Consent ("AWC") from Scott & Stringfellow, LLC ("S&S") (Case Number 20090195365). The allegations are as follows: During the period from January 2008 through June 2009 (the "Relevant Period"), S&S 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, S&S supervised Non-Traditional ETFs the same way it supervised traditional ETFs. Thus, S&S failed to establish a reasonable supervisory system and written procedures to monitor the sale of Non-Traditional ETFs. S&S also failed to establish adequate formal training regarding Non-Traditional ETFs during the Relevant Period. In addition, certain S&S registered representatives did not have an adequate understanding of Non-Traditional ETFs before recommending these products to retail brokerage customers. Certain S&S registered representatives also made unsuitable recommendations of Non-Traditional ETFs to certain customers with the primary investment objectives of income or capital preservation. S&S 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. S&S paid the fine on June 27, 2012.

On December 13, 2013, FINRA accepted a Letter of Acceptance, Waiver, and Consent ("AWC") from the Firm (Case Number #2012033723601). The allegations are as follows: During the period September 1, 2011 to December 28, 2011, the Firm effected sales of unregistered securities and that the Firm's AML programs failed to adequately address potential suspicious activity related to the unregistered securities. In addition, during the period August 23, 2010 to February 24, 2012, the Firm failed to maintain sufficient records of research analysts' public appearances, and that the Firm between 2002 and 2011 failed to consistently send change of address notices to clients. The Firm consented, without admitting or denying the findings, to the issuance of an AWC, a censure and a fine in the amount of \$300,000.

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

The Firm 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.

The Firm and all Wrap Fee Programs are affiliated by common ownership with BB&T Institutional 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. P. J. Robb Variable Corporation, a FINRA member broker-dealer, is owned by Crump Life Insurance Services, Inc., a subsidiary of Branch Banking and Trust Company.

The Firm's affiliated advisers (BB&T Investment Services, Inc., Sterling Capital Management LLC and BB&T Institutional 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. The Firm'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.

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

Non-employee third-party consultants who are directly responsible for bringing a client to the Firm, such as accountants, may receive compensation from the Firm. 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, or the firm 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 the Firm 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 the Firm or as independent investment advisors.

### **Financial Information**

The Firm 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. The Firm 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.

### **Review of Accounts**

The Firm provides all Wrap Fee Program clients with periodic reports of relevant activity. Each Program 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. With the exception of S&S Advisor accounts, at account inception clients may elect not to receive a confirmation for each securities transaction, which election may be rescinded at any time.

#### **A. Unified Managed Account Program**

For the UMAP, the client's investment objective and strategy are reviewed for consistency with UMAP guidelines when each account is opened. On a regular 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.

#### **B. Professional Management Program**

For the PMP account, a Firm 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 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 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 PMP advisor will review the account's performance and adherence to the Client's investment strategy using the reports provided by the Firm. The PMP advisor will meet with Clients on at least an annual basis.

#### **C. 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 is responsible for monitoring 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 review of the Firm'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.

#### **D. S&S Advisor Account Program**

The Account is a non-discretionary advisory account. Based on the client's investment profile and objectives, the Firm's 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 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 review of the Firm'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 Client's Financial Advisor will review the account's performance and adherence to the Client's investment strategy using the reports provided by the Firm. The advisor will meet with Clients on at least an annual basis.

#### **E. Spectrum Investment Program**

For Spectrum, the Firm assists clients of other brokers in the selection of independent investment advisers that are suitable for the client's investment objectives. The Firm 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 independent investment adviser's performance using the reports provided by the Firm and the independent investment adviser. At each quarterly review, the independent 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 the Firm, 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 the Firm 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.

In addition, the Firm report also compares the independent investment adviser's performance to selected industry indexes over the same time period. The Firm's Financial Advisor typically meets with the client on a quarterly basis to review these results.

### **Item 10 – Requirements for State-Registered Advisers**

N/A