

Arbor Investment Advisors

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Brochure

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This brochure provides information about the qualifications and business practices of Arbor Investment Advisors. If you have any questions about the contents of this brochure, please contact us at (336) 777-1677 or aprilbeason@arborinvest.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Arbor Investment Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Arbor Investment Advisors as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Item 2 Material Changes

Since our last Annual Amendment filing on March 23, 2016, James E. Martin has retired from the Firm. Upon his retirement, he transferred his ownership interest in Arbor to the other Arbor Members.

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Item 4 **Advisory Business**

- A. The Registrant is a limited liability company formed on January 14, 1998 in the state of North Carolina. The Registrant became registered as an Investment Adviser Firm in January 2001. The Registrant is owned by Scott E. Cawood, Scott D. Jones, William E. Hollan, III, Paige P. Birchfield and April Y. Beason. Mr. Cawood is the Registrant's Chief Executive Officer and Chief Investment Officer.
- B. As discussed below, the Registrant offers to its clients (individuals, pension and profit sharing plans, business entities, trusts and charitable organizations, etc.) investment advisory services, employee stock option evaluation and monitoring and, to the extent specifically requested by a client, financial planning and related consulting services.

Investment Advisory Services

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
Next \$10,000,000	0.40%
Balance above \$15,000,000	Negotiable

Employee Stock Option Evaluation and Monitoring Services

Registrant also offers employee stock option evaluation and monitoring services to clients. Registrant works with clients who request this service to evaluate their employee stock option portfolio and develop an employee stock option monitoring profile regarding the client's goals and conditions for exercising their options (each such condition a "Triggering Condition"). Registrant then monitors the client's options portfolio by reviewing the closing price of securities underlying the options on a daily basis. Registrant generally notifies clients within one (1) business day after a Triggering Condition occurs so that the client may determine whether to exercise the applicable option(s). Clients that engage Registrant for employee stock option evaluation and monitoring services have the sole responsibility to exercise (and determine whether to exercise) applicable options after Registrant provides notice that a Triggering Condition has occurred. Registrant will not have any authority or ability to exercise the options for the client.

Clients shall pay Registrant a retainer fee for its employee stock option evaluation and monitoring services on a quarterly basis, in advance, at an annualized rate as follows:

<u>Managed Assets*</u>	<u>Retainer Fee</u>	<u>Minimum Annual Fee</u>
Under \$500,000	\$200 per Option**	\$1,000
\$500,000-\$1,000,000	\$100 per Option**	\$500
Over \$1,000,000	None	Not Applicable

*Managed by Registrant pursuant to a separate written agreement.

**"Option" refers to any distinct award of options the client holds.

In addition to the above retainer, stock option evaluation and monitoring services clients shall pay Registrant a management fee equal to 2% of the "in the money" value of any exercised option within ten (10) days after the exercise of the option, where "in the money" means the gross value (before tax) of the proceeds realized from the exercise of an option; provided, however, that Registrant will deduct from the "in the money" calculation (i) a percentage of such proceeds determined by the client and Registrant at the outset of the relationship to be a fair estimation of the tax liability on option exercise proceeds; and (ii) any such proceeds added by the client within ten (10) days after their receipt to an investment advisory account with Registrant with a value of at least \$500,000. Fees are negotiable under certain circumstances, and fees will be prorated for any partial quarter. Clients may terminate a Registrant's stock option evaluation and monitoring services on thirty (30) days' written notice to Registrant, in which case, Registrant will refund an appropriate prorated portion of any prepaid fees.

Financial Planning and Consulting Services (Stand-Alone)

To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Limited Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. *Please Note:* If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. *Please Also Note:* It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its

financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Miscellaneous

Retirement Plan Rollovers—No Obligation/Conflict of Interest— Clients are under absolutely no obligation to engage Registrant as the investment advisor for his/her employer-sponsored retirement account(s). Rather, clients can continue to self-direct such retirement account(s). However, if a client determines that he/she would like Registrant's assistance in managing his/her retirement account, Registrant shall charge a separate and additional advisory fee for ongoing advisory services, which clients would not incur by continuing to self-direct the retirement account. As a result, any recommendation by Registrant that clients engage Registrant to manage an otherwise self-directed retirement account presents a conflict of interest. Again, clients are under absolutely no obligation to engage Registrant as the investment adviser for his/her retirement account.

Use of Mutual Funds—Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive Registrant's initial and ongoing investment advisory services.

Non-Investment Consulting/Implementation Services—*To the extent specifically requested by the client*, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. *Please Note:* If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. *Please Also Note:* It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Participant Directed Retirement Plans—The Registrant may also provide investment-related consulting services to participant directed retirement plans.

Please Note: Non-Discretionary Services Limitations—Clients that determine to engage the Registrant on a non-discretionary investment advisory basis *must be willing to accept* that the Registrant cannot effect account transactions without obtaining prior verbal consent to any such transaction(s) from the client (except the rebalancing of the client portfolio pursuant to

the terms of the Investment Advisory Agreement). Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect such account transactions (as it would for its discretionary clients) *without first obtaining the client's verbal consent*.

Trade Error Policy—Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account. On a monthly basis gains and losses are offset within the custodian firm account, Registrant absorbs the cost of losses while gains are allocated to a designated charity.

Client Obligations—In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2016, the Registrant had \$436,570,742 in assets under management on a discretionary basis and \$28,376,132 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis.

Investment Advisory Services

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

Market Value of Portfolio

% of Assets

First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.50%
Next \$10,000,000	0.40%
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Employee Stock Option Evaluation and Monitoring Services

If a client determines to engage the Registrant to provide employee stock option evaluation and monitoring services, the clients shall pay Registrant a retainer fee for its employee stock option evaluation and monitoring services on a quarterly basis, in advance, at an annualized rate as follows:

<u>Managed Assets*</u>	<u>Retainer Fee</u>	<u>Minimum Annual Fee</u>
Under \$500,000	\$200 per Option**	\$1,000
\$500,000-\$1,000,000	\$100 per Option**	\$500
Over \$1,000,000	None	Not Applicable

*Managed by Registrant pursuant to a separate written agreement.

**"Option" refers to any distinct award of options the client holds.

In addition to the above retainer, stock option evaluation and monitoring services clients shall pay Registrant a management fee equal to 2% of the "in the money" value of any exercised option within ten (10) days after the exercise of the option, where "in the money" means the gross value (before tax) of the proceeds realized from the exercise of an option; provided, however, that Registrant will deduct from the "in the money" calculation (i) a percentage of such proceeds determined by the client and Registrant at the outset of the relationship to be a fair estimation of the tax liability on option exercise proceeds; and (ii) any such proceeds added by the client within ten (10) days after their receipt to an investment advisory account with Registrant with a value of at least \$500,000. Fees are negotiable under certain circumstances, and fees will be prorated for any partial quarter. Clients may terminate a Registrant's stock option evaluation and monitoring services on thirty (30) days' written notice to Registrant, in which case, Registrant will refund an appropriate prorated portion of any prepaid fees.

Financial Planning and Consulting Services (Stand-Alone)

To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment

advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Fidelity Investments ("Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for exchange traded funds, closed end funds, individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset level of \$1,000,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, pension and profit sharing plans, business entities, trusts and charitable organizations. The Registrant, in its sole discretion, may

charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

A. The Registrant may utilize the following methods of security analysis:

Registrant typically utilizes asset allocation models designed to demonstrate a range of portfolio options based on a combination of asset classes. Portfolios are normally structured utilizing exchange traded funds, no-load open-end mutual funds and closed-end funds. Recommendations regarding individual securities are generally limited to working with clients to determine whether to retain securities already held by the client at the inception of Registrant's management of the portfolio.

Registrant regularly obtains investment information and research materials from third parties. This includes economic and financial market commentaries, portfolio management selection and a variety of other investment research materials.

Registrant's approach to investment management has evolved from Modern Portfolio Theory (MPT) concepts. Fundamental to MPT is the notion that the level of risk each client is willing to assume ultimately impacts the portfolio's expected return. Registrant works with clients to set strategic investment objectives based on their individual profile. Then Registrant helps clients construct an asset allocation that best fits the client's goals.

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk—Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a

forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies—Long Term Purchases—is a fundamental investment strategy. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates (or recommends that the client allocate) client investment assets among various exchange traded funds, no-load open-end mutual funds, closed-end funds, individual equity and/or fixed income securities, on a discretionary or non-discretionary basis, in accordance with the client's designated investment objective(s).

Concentrated Stock Positions—In some cases, clients come to the Registrant with a significant portion of their assets invested in stock of a single company. In these cases, the Registrant may recommend either of the following approaches or a combination of both, depending on the circumstances:

- In some cases (e.g., low basis concentrated stock positions), the Registrant may recommend the use of derivatives and hedging strategies such as collars, forwards, non-recourse stock loans and exchange funds which may help to provide diversification or reduce risk and volatility by setting floors and/or ceilings on the positions.
- In other cases, the Registrant may recommend using a transition plan based on the client's constraints and preferences. In these cases, the Registrant generally helps the client establish target prices and quantities over the transition period in an effort to unwind the position in a tax efficient manner. When appropriate and agreed to by the client, the Registrant will implement a covered call strategy during the transition period.

The client maintains exclusive responsibility for determining whether or not to adopt the Registrant's recommendations. If the client determines not to follow the Registrant's recommendations, the client maintains exclusive responsibility for any adverse investment consequences resulting from his/her/its decision.

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Fidelity. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's

investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from Fidelity (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other

transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment advisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment advisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment advisory services shall also receive a quarterly report from the Registrant.

Items 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from Fidelity. The Registrant, without cost (and/or at a discount), may receive support services and/or products from Fidelity.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment advisory services shall also receive a quarterly report from the Registrant summarizing asset allocation and performance.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. *Please Also Note:* The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, *in writing*, on the Registrant's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

Any Questions: The Registrant's Chief Compliance Officer, April Y. Beason, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.

Item 1 Cover Page

A.

Scott E. Cawood

Arbor Investment Advisors

Brochure Supplement

Dated January 31, 2017

Contact: April Y. Beason, Chief Compliance Officer

300 South Main Street

Winston-Salem, North Carolina 27101-5217

B.

This brochure supplement provides information about Scott E. Cawood that supplements the Arbor Investment Advisors brochure. You should have received a copy of that brochure. Please contact April Y. Beason, Chief Compliance Officer, if you did not receive Arbor Investment Advisors' brochure or if you have any questions about the contents of this supplement.

Additional information about Scott E. Cawood is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Education Background and Business Experience

Scott E. Cawood was born in 1969. Mr. Cawood graduated summa cum laude from Duke University in 1991 with a Bachelor of Arts degree in Public Policy. Mr. Cawood joined Arbor Investment Advisors as a Principal in September 2003. He advises clients and serves as Chief Executive Officer and Chief Investment Officer for the firm.

Mr. Cawood has held the Chartered Financial Analyst® (CFA®) designation since September 2000. The CFA® charter is the most respected, globally recognized credential for investment analysis and management. CFA® charterholders have in-depth knowledge of various types of securities and investment vehicles. In order to qualify for a CFA® charter, candidates must meet standards for education, examination, experience and ethics. First, candidates must possess a bachelor's degree from an accredited school, or its equivalent. Second, candidates must pass a series of three six-hour exams that covers ethics and professional standards, quantitative methods, economics, financial reporting and analysis, corporate finance, equity investments, fixed income investments, derivatives, alternative investments, portfolio management and wealth planning. Third, candidates must complete 4 years of qualifying work experience, generally related to evaluating or applying financial, economic, and/or

statistical data as part of the investment decision-making process involving securities or similar investments. Finally, candidates must meet and continue to adhere to a strict Code of Ethics and Standards of Professional Conduct as reviewed by the CFA Institute. Mr. Cawood is a member of the CFA Institute and the North Carolina Society of Financial Analysts.

Mr. Cawood has been a CERTIFIED FINANCIAL PLANNER™ (CFP®) certificant since August 2004. The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 6 hours, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Prior to Arbor, Mr. Cawood served in a number of key leadership positions during his 12-year career at Wachovia Bank. Most recently, in 2002 and 2003, he was Senior Risk Officer for Wachovia’s asset management business. Mr. Cawood’s primary responsibilities included overseeing the assessment of new investment products (evaluated risks, client suitability, prospectus disclosures, etc.) and the management of key risks in Wachovia’s mutual fund and separate account businesses.

In 2001 as a Senior Vice President in the Financial Management group, Mr. Cawood performed detailed financial analysis of various corporate strategic initiatives. In 1999 and 2000 as a Senior Risk Manager in the Capital Markets Group, he managed credit, market and operational risks in the loan syndication and leasing business units. He actively participated in arranging senior debt for large corporate clients and oversaw secondary loan trading activity. From 1991 through 1998, Mr. Cawood served as portfolio manager for corporate loans in various geographic regions in Wachovia’s footprint.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

- A. The supervised person is not actively engaged in any other investment-related businesses or occupations.
- B. The supervised person is not actively engaged in any non-investment-related business or occupation for compensation.

Item 5 Additional Compensation

None.

Item 6 Supervision

The Registrant has and provides investment advisory and supervisory services in accordance with the Registrant's policies and procedures manual. The primary purpose of the Registrant's Rule 206(4)-7 policies and procedures is to comply with the requirements of supervision requirements of Section 203(e)(6) of the Investment Advisor's Act ("Act"). The Registrant's Chief Compliance Officer, April Y. Beason, is primarily responsible for implementation of the Registrant's policies and procedures. Should an employee or investment adviser representative of the Registrant have any questions regarding the applicability/relevance of the Act, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. April Y. Beason can be reached at (336) 777-1677.

Item 1 Cover Page

A.

Scott D. Jones

Arbor Investment Advisors

Brochure Supplement

Dated January 31, 2017

Contact: April Y. Beason, Chief Compliance Officer

300 South Main Street

Winston-Salem, North Carolina 27101-5217

B.

This brochure supplement provides information about Scott D. Jones that supplements the Arbor Investment Advisors brochure. You should have received a copy of that brochure. Please contact April Y. Beason, Chief Compliance Officer, if you did not receive Arbor Investment Advisors' brochure or if you have any questions about the contents of this supplement.

Additional information about Scott D. Jones is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Education Background and Business Experience

Scott D. Jones was born in 1974. Mr. Jones graduated from Flagler College in 1996, with a Bachelor of Arts degree in Business Administration. Mr. Jones received an MBA from Wake Forest University in 2000. Mr. Jones joined Arbor as a Principal in May 2006. He advises clients and serves as Chief Financial Officer, Treasurer and Secretary for the firm.

Mr. Jones has been a CERTIFIED FINANCIAL PLANNER™ (CFP®) certificant since January 2008. The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional

engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 6 hours, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Prior to Arbor, Mr. Jones was a Vice President with Wachovia Wealth Management from 2002 to 2006 holding the positions of Regional Chief Financial Officer and, most recently, Relationship Manager.

Following graduate school, he was an analyst in the Treasury/Corporate Strategy and Development Group with First Union National Bank until 2002.

Prior to graduate school, Mr. Jones was a Regional Loan Officer with Merrill Lynch Credit Corporation.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

- A. The supervised person is not actively engaged in any other investment-related businesses or occupations.
- B. The supervised person is not actively engaged in any non-investment-related business or occupation for compensation.

Item 5 Additional Compensation

None.

Item 6 Supervision

The Registrant has and provides investment advisory and supervisory services in accordance with the Registrant's policies and procedures manual. The primary purpose of the Registrant's Rule 206(4)-7 policies and procedures is to comply with the requirements of supervision requirements of Section 203(e)(6) of the Investment Advisor's Act ("Act"). The Registrant's Chief Compliance Officer, April Y. Beason, is primarily responsible for implementation of the Registrant's policies and procedures. Should an employee or investment adviser representative of the Registrant have any questions regarding the applicability/relevance of the Act, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. April Y. Beason can be reached at (336) 777-1677.

Item 1 Cover Page

A.

William E. Hollan, III

Arbor Investment Advisors

Brochure Supplement

Dated January 31, 2017

Contact: April Y. Beason, Chief Compliance Officer
300 South Main Street
Winston-Salem, North Carolina 27101-5217

B.

This brochure supplement provides information about William E. Hollan, III that supplements the Arbor Investment Advisors brochure. You should have received a copy of that brochure. Please contact April Y. Beason, Chief Compliance Officer, if you did not receive Arbor Investment Advisors' brochure or if you have any questions about the contents of this supplement.

Additional information about William E. Hollan, III is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Education Background and Business Experience

Bill Hollan, III was born in 1978. Mr. Hollan graduated from the University of North Carolina Chapel Hill in 2000 with a Bachelor of Arts degree in History and Economics. Mr. Hollan joined Arbor as a Principal in March 2011 and advises clients.

Mr. Hollan has been a CERTIFIED FINANCIAL PLANNER™ (CFP®) certificant since April 2015. The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

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To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 6 hours, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Prior to Arbor, Mr. Hollan served in a number of roles during his 11-year career at Branch Banking & Trust Company, working with both affluent individuals and commercial clients. Most recently from 2009 to 2011, he was Vice President and Portfolio Manager for BB&T’s commercial team in Winston-Salem. Mr. Hollan’s primary responsibilities included the identification and management of key risks in the city’s commercial loan portfolio.

Prior to this period, as a Business Services Officer in Winston-Salem, he developed and managed business relationships in the Winston-Salem market. Beginning in 2001, he served in a variety of retail and commercial leadership positions at the bank, both in Winston-Salem and in southwest Virginia, earning the bank's Sterling Performer designation in 2003. Mr. Hollan graduated from BB&T's Management Development Program in 2001.

Item 3 Disciplinary Information

None.

Item 4 Other Business Activities

- A. The supervised person is not actively engaged in any other investment-related businesses or occupations.
- B. The supervised person is not actively engaged in any non-investment-related business or occupation for compensation.

Item 5 Additional Compensation

None.

Item 6 Supervision

The Registrant has and provides investment advisory and supervisory services in accordance with the Registrant's policies and procedures manual. The primary purpose of the Registrant's Rule 206(4)-7 policies and procedures is to comply with the requirements of supervision requirements of Section 203(e)(6) of the Investment Advisor's Act ("Act"). The Registrant's Chief Compliance Officer, April Y. Beason, is primarily responsible for implementation of the Registrant's policies and procedures. Should an employee or investment adviser representative of the Registrant have any questions regarding the applicability/relevance of the Act, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. April Y. Beason can be reached at (336) 777-1677.